FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
No. 30,065 Thursday October 23 1986 D 8523 B

Opec strives to achieve stability, Page 14

World news

US arms proposals endorsed by Nato

Nato defence ministers papered over alliance differences on the future course of arms control and endorsed US negotiating proposals presented to the Soviet Union in Iceland 10 days ago.

At the close of a Nuclear Planning group meeting in Gleneagles, Scotland, Nato as a whole for the first time stressed that there should be a link between reductions in medium and short range missiles in Europe. Page 16

Mock Israeli raid

Israeli fighters staged a mock air strike over southern Lebanon after the Shia Moslem movement Amal said it was holding an Israeli airman captive. Near Tyre, Shia militiamen clashed overnight with Palestinian guerrillas at a refugee camp.

PLO factions meet

Five Palestine Liberation Organisation factions began talks in Tunis aimed at settling their differences and preparing a meeting of the PLO parliament-in-exile. In Beirut, an unknown Palestinian group said it was responsible for blowing up a PLO official in Athens on Tuesday.

Machel funeral

President Samora Machel, whose body has been brought back to Mozambique from South Africa, will be given a state funeral on Tuesday. Page 4

Vote for sanctions

European Parliament voted to approve a sweeping resolution seeking the immediate imposition of compulsory and comprehensive sanctions on South Africa. The vote represents the parliament's strongest expression of opinion on South Africa but it has no legislative authority. Savimbi puts case, Page 4

Indian reshuffle

Prime Minister Rajiv Gandhi has dropped his cousin Arun Nehru from the Government as part of a reshuffle of his Cabinet and Congress I party team. Page 4

France expels 1,700

French Security Minister Robert Pandraud said more than 1,700 foreigners had been expelled in the past six weeks as part of the conservative Government's crackdown on illegal immigrants.

Bonn terrorism drive

The West German Government, in a move to crack down on terrorist attacks, plans to rush through parliament new legislation offering milder sentences or immunity to criminals who testify against their accomplices. Page 3

N-plant approved

The European Commission approved the new French nuclear power station at Cattenom near the borders with Luxembourg and West Germany despite strong opposition from the two countries.

Southern Africa link

A key fund-raising effort begins in Brussels today to find $185m for the "Beira corridor" – the crucial pipeline and rail link between Zimbabwe and the Mozambique coast. Page 4

Macao future

China and Portugal said that "substantive issues" had been discussed in a third round of talks on the future of Macao, the tiny Portuguese-administered territory west of Hong Kong. Economic boom, Page 16

Booker Winner

British writer Kingsley Amis won the Booker Prize, Britain's top fiction honour, with The Old Devils, a novel about elderly alcoholics in South Wales.

Business summary

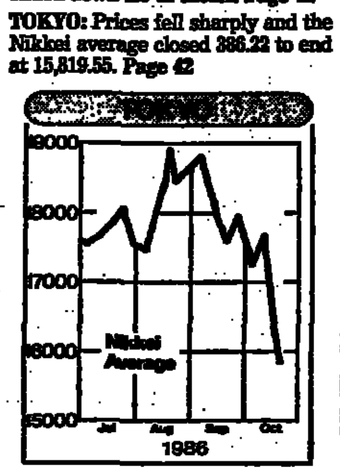
Dassault makes first ever job cuts

DASSAULT-BREGUET, French state-controlled aircraft manufacturer, has been forced for the first time to make job cuts – expected to involve about 700 workers – in the face of insufficient new orders. Page 16

WALL STREET: The Dow Jones industrial average closed 2.67 up at 1,808.35. Page 42

LONDON: Gilts showed some strength, but equities reversed early gains and the FT Ordinary index ended down 2.8 at 1262.4. Page 42

TOKYO: Prices fell sharply and the Nikkei average closed 386.22 to end at 15,819.55. Page 42



DOLLAR fell in London to DM 1.9845 (DM 1.9880); FFr 6.50 (FFr 6.51), but rose to SFr 1.6300 (SFr 1.6295) and Y155.80 (Y155.15). On Bank of England figures the dollar's index fell to 109.3 from 109.5. Page 35

STERLING fell $0.5 in London to $1.4315. It also fell to DM 2.8400 (DM 2.8550); FFr 9.3050 (FFr 9.3525), but rose to SFr 2.35 (SFr 2.34) and Y223.00 (Y222.75). The pound's exchange rate index fell 0.2 to 67.6. Page 35

GOLD fell $1.5 to $422.75 on the London bullion market. It also fell in Zurich to $424.25 from $425.05. Page 34

AMOCO, the large US oil group, suffered a sharp fall in third-quarter earnings to $175m or 68 cents a share from $490m or $1.87 in the same period for 1985.

JOHNSON & Johnson, leading US maker of health-care products, announced a strong third-quarter advance in profits and revenues. Page 17

ANY ATTEMPT by the British Government to prevent citizens of other EEC countries from buying shares in British Airways or any other privatised company could fall foul of the Treaty of Rome, members of the European Parliament said.

COMSAT, US communications satellite group, plans to refocus its business on military and civilian work for the US Government and on private satellite systems for US business following its merger with Contel, the US telephone company. Page 17

BANCO Hispano Americano, Spain's third largest bank, reported a 145 per cent increase in consolidated income before taxes for the half year compared to the same period in 1986. Page 28

HYUNDAI Motors, the South Korean car maker, aims to double its UK sales over the next two years. Page 19

CARLING O'KEEFE, the Canadian brewing, energy and sports promotions group controlled by Rothmans of Pall Mall, has declined to give a reason for the sudden resignation of chairman Roderick McInnes. Page 18

US ECONOMY, buoyed by strong new car sales, grew by 2.4 per cent in the third quarter, according to preliminary Commerce Department figures. Page 6

HAMMERSON, the British property group with extensive international interests, has increased its first-half pre-tax profits to £22.2m ($31.8m) from £17.5m last year. Page 22

Gorbachev expels US envoys as bitterness grows

BY PATRICK COCKBURN IN MOSCOW AND LIONEL BARBER IN WASHINGTON

THE SOVIET UNION last night expelled five American diplomats and banned 260 Soviet staff from working for the US missions in retaliation for the expulsion of 55 Soviet diplomats from the US.

Mr Mikhail Gorbachev, the Soviet leader, described the expulsion of diplomats in the US as "an action which, to a normal human mind, is outrageous," but he did not elaborate.

In his bitterest and most personal attack yet on the US Administration, he accused it of distorting the results of the Reykjavik summit. He said they showed the US Government was unpredictable and had no desire to maintain a friendly atmosphere in which to negotiate.

Mr Gorbachev said it was not clear whether "the President cannot cope with his entourage who breathe hatred towards the Soviet Union," or whether President Reagan himself held such opinions.

Earlier yesterday Moscow announced the execution of Mr Adolf Tolkachyov, a Soviet research worker accused of being a spy working with agents at the US embassy in the Soviet capital.

In Washington, the White House made it clear that it was likely to retaliate in the escalating diplomatic expulsion row which threatens to undermine the efforts to reach an arms agreement between the two superpowers.

A White House spokesman, Mr Dan Howard, said yesterday that the US was still considering an appropriate response to Moscow's action.

But he drew attention to the State Department's announcement on Tuesday that the principle of "strict parity" would apply in future to the diplomatic missions in both countries. "That says it all in plain English," he said.

Mr Howard said that the US expulsion of Soviet diplomats from its embassy in Washington and from its mission at the United Nations were aimed at reducing Moscow's intelligence capability. Referring to the withdrawal of Soviet personnel in Moscow, he said: "It looks like the Soviets have taken a third step towards that goal."

The Soviet retaliation, though expelling only four diplomats from Moscow and one from Leningrad, is clearly geared to cause maximum inconvenience to the US but without becoming immediately involved in another round of tit-for-tat expulsions. However, Mr Gerasimov warned that Moscow was prepared for this.

Describing the US expulsion of 55 Soviet diplomats as "a provocative step" taken immediately after the Reykjavik summit between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan, the Soviet spokesman said that, in future, manning levels of US and Soviet embassies in each others countries would be held at the ceiling announced by the US.

"Let us draw the line now," Mr Gerasimov said, "otherwise this will go on indefinitely." Criticising what he described as spy mania in the US, he said that if the Soviet employees of US facilities in the Soviet Union included a Mata Hari or James Bond figure the Soviet authorities would not be so anxious to withdraw them.

The Soviet Foreign Ministry clearly feels that it has outwitted Washington by accepting its ceiling on numbers of diplomats. It also believes that the US will find it difficult to protest against the removal of all Soviet staff because in the past, notably during the so-called spy dust crisis in 1985, local Soviet staff were accused by State Department officials of being espionage agents who should be replaced.

The Soviet spokesman denied the US charge that there were more Soviet diplomats in the US than US diplomats in the USSR.

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Nato endorses US proposals, Page 16

Reliance to raise stake in Mercury

By David Lascelles in London

MR SAUL STEINBERG, chairman of the Reliance Group of the US, has torn up his one-year-old standstill agreement with Mercury International Group and announced his intention to raise his stake in the UK financial services concern, which includes the S. G. Warburg merchant bank.

In a notification to Mercury, Reliance says it will increase its holding above 15 per cent. Reliance's stake is just more than 10 per cent, the level at which Mr Steinberg agreed to keep it after buying into the group last year.

The development drew a sharp reaction from Mercury yesterday and led to a steep rise in its share price in late dealing.

Mercury said in a statement that Reliance had earlier agreed to respect Mercury's wish to remain "independent with no dominant shareholder. This continues to be the view of the board of Mercury." Board members were said to be dismayed that Mr Steinberg, known for his activities as a corporate raider, had unilaterally gone back on his agreement without consulting the company beforehand.

The standstill agreement dates from last November 25. It bound Mr Steinberg to limit his interest in Mercury to 10 per cent. Although it had no legal force, the understanding at Mercury was that both sides would consult if they wanted to change the terms.

The notification from Reliance, which is dated October 20, says that the company intends to purchase, through a subsidiary and subject to availability and price, more Mercury shares so as to increase its holding to over 15 per cent. It does not say whether Reliance had already bought any additional shares and last night it appeared that it had not.

The notification was required by US anti-trust legislation. Mr David Scholey, Mercury's chairman, said there had been no other contact between the two companies and he did not know whether he would be speaking to Mr Steinberg.

Mr Steinberg has never publicly discussed his aim in buying into Mercury. His reputed interest in short-term profits has encouraged the view in the City of London that he does not intend to launch a full-scale takeover. On the other hand, he did not use the opportunity of a near doubling of the Mercury share price this summer to take any profits.

Mr Steinberg's latest move comes only days before next Monday's Big Bang in which Mercury is deeply involved as one of the largest of the new banking-securities conglomerates formed to take advantage of UK financial deregulation.

UK may drop M3 monetary growth target

BY PHILIP STEPHENS IN LONDON

THE BRITISH Government may abandon a formal target for the growth of sterling M3, the broad money supply measure once at the centre of its anti-inflation policy.

Mr Robin Leigh Pemberton, the Governor of the Bank of England, said the process of rapid financial innovation and change in the economy over the past few years had substantially weakened the case for seeking to impose rigid limits on liquidity and credit.

The Bank is clearly anxious, however, that such a move should not be interpreted as a weakening of its resolve to hold down inflation. Mr Leigh Pemberton insisted that if the sterling M3 target is dropped, the Bank would still pay close attention to the measure's performance in setting interest rates at levels to maintain downward pressure on inflation.

The Bank Governor, who was speaking at Loughborough University, said that he would discuss with Mr Nigel Lawson, the Chancellor, later this year whether to dispense with the official target for what has traditionally been the most closely watched measure of the money supply.

The expectation in government circles is that unless there are significant new developments over the next few months, Mr Lawson will announce sterling M3's demise in his budget speech early next year. The Medium Term Financial Strategy (MTFS), updated at the time of the budget, would then be published without the usual target range for broad money over the next financial year.

Sterling M3 comprises the banknotes and coins circulating in the economy and deposits placed by companies and individuals with the banks. A target growth rate for the measure was first adopted in the late 1970s by the Labour Government as part of its effort to reduce the rate of inflation.

The present Government made progressively declining target ranges for sterling M3 the centrepiece of the MTFS, which it introduced when it came to power in 1979.

Since then, however, the growth rates have almost invariably overshot the official targets, and the emphasis of official policy has switched to monitoring the exchange rate and the narrow money supply measure, Mo.

Last year the authorities gave up on attempts to control sterling M3 through selling more gilt-edged stocks than were needed to fund the Government's borrowing, although the Bank pressed for a new

If sterling M3 is dropped it remains unclear whether the authorities will continue to publish a formal target for Mo.

Details, Page 11; Editorial comment, Page 14

Norway backs Opec with 10% cut in oil exports

BY RICHARD JOHNS IN GENEVA AND MAX WILKINSON IN LONDON

THE Norwegian Government yesterday announced that it would cut oil exports by 10 per cent for two months in support of the Organisation of Petroleum Exporting Countries' agreement to limit production until the end of the year.

The cut will remove about 80,000 barrels a day or ½ per cent of Opec production from the market although the oil will be refined and stored. However, senior Opec delegates said in Geneva yesterday that they expected other non-member oil producers to cut production by as much as 400,000 b/d in response to the latest agreement.

The Opec agreement announced in the early hours of yesterday was coolly received by the oil markets. After a small initial rise, prices fell back later with Brent crude closing at $14.20 a barrel yesterday compared with $14.40 previously. A new short-term agreement was expected and the markets had become reconciled to the fact that a long-term pact was unlikely to come out of this meeting.

The Norwegian Government had pledged to cut exports only if Opec reached an accord. It produces 900,000 barrels a day from its sector of the North Sea and had promised to consider limiting future increases in production.

Mr Arturo Hernandez Grizanti, the Venezuelan Oil Minister, flew from the Geneva meeting to Oslo yesterday for talks on the oil market.

The latest Opec agreement aims to continue the two-month pact which came into operation in September, albeit in revised form.

The new limit for the collective production of 12 of the 13 members was raised by 200,000 barrels a day from an average of 4.8m b/d to 5m b/d for the rest of the year. Iraq remains exempt from any commitment but is likely to account for no more than 2m b/d.

The outcome of the marathon conference lasting 2½ weeks was a clear victory for Kuwait and Saudi Arabia. As delegates dispersed, it was clear that they had largely dictated its duration and result in a campaign primarily aimed at asserting the primacy within Opec of the Arab producers of the Gulf.

Feature, Page 14

L'Air Liquide plans FFr 2.7bn rights

BY PAUL BETTS IN PARIS

L'AIR LIQUIDE, the leading French industrial gases group, announced yesterday a FFr 2.7bn ($415m) rights issue to finance a substantial part of its $1.06bn acquisition of Big Three Industries of the US.

This is one of the largest equity-raising operations made by a private French group and marks the first time L'Air Liquide has approached the bourse since 1984.

Mr Edouard de Royere, the chairman of the French group, said the Big Three acquisition, the biggest US takeover by a French company after Elf-Aquitaine's takeover of Texasgulf, would be financed by the French parent company for about $600m and by its US subsidiaries American Air Liquide and Air Liquide International Corporation for the balance of nearly $500m.

The French part of the financing will involve the FFr 2.7bn rights issue as well as some additional financing from cash flow or credit lines. The equity-raising operation involves the issue of 6,771,024 new shares at FFr 400 each to be offered to shareholders on the basis of one new share for every five held.

The subscription period starts on November 3 and runs until November 24. The shares are being offered at a sizable discount on L'Air Liquide's bourse price which has averaged FFr 753 during the last three months.

The US financing will involve a seven-year credit line negotiated with a group of US and international banks and which will not be guaranteed by the French parent. Mr de

Continued on Page 16

GM to cut production after operating loss of $338m

BY TERRY DODSWORTH IN NEW YORK

GENERAL MOTORS, the largest US car company, is planning to close several of its US plants in a round of streamlining measures prompted by its flagging profitability and declining market share.

The cuts were announced yesterday in a grim third quarter earnings report which showed that GM ran into heavy operating losses of $338.5m on car manufacturing during the three months. GM said that an intensive review of costs had led to the closure plan which will include both assembly operations and metal fabricating facilities, by the end of next year. It did not say how many factories or workers would be affected.

In addition, the group noted its recently announced decisions to restructure its GM Holden operation in Australia and to sell its South African business, part of an "aggressive" plan to bring about competitive improvement.

"In the coming weeks, employees at the affected operations in the US will be notified, and we shall then be in a position to provide additional detail on planned changes in our domestic production capacity," said Mr Roger Smith, GM's chairman.

Yesterday's results gave an indication of the operating pressures on GM in a period when its US market share has been under attack from the more competitive model ranges on offer from Ford, Chrysler, and foreign manufacturers. The group's worldwide vehicle sales fell about 15 per cent in the quarter, leading to a build up in stocks which caused GM to launch its exceptionally cheap consumer finance package in the US early last month.

This programme, in which GM was offering three year loans at 2.9 per cent, was the main reason behind the $338.5m operating losses, which compared with an operating deficit of $20.9m in the same quarter of last year, when the group was engaged in a similar sales incentive campaign.

At the net level, GM earned $284m, or 56 cents a share, in the third quarter, compared to $517m, or $1.53 a share, in 1985. The net figures, which were largely in line with Wall Street expectations, showed a profit because of the contribution of the group's GMAC finance subsidiary which is compensated by the operating division when it is offering loans at specially cheap rates to the public.

Mr Smith justified the financing programme by saying that it had enabled the company to eliminate stocks of its last model year and provide the platform for the launch of the 1987 model range.

Alan Friedman in Milan reports: Discussions between Fiat of Italy and General Motors of the US, about possible joint efforts in the European car market have ended without agreement.

Talks between the two groups, which have been held mainly at the technical level, have continued sporadically for several months. At one point the two car makers also hoped to pool their operations in Brazil, but this idea never passed the preliminary stage.

The existence of the Fiat-GM talks, which one executive close to both companies termed "routine and exploratory," has never been revealed officially.

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EUROPEAN NEWS

Leslie Colitt in Budapest reports on the 30th anniversary of the bloody 1956 uprising

Hungarians look anew at their post-war trauma

"I believed in Imre Nagy." This surprising remark, made by a man who could become the next Hungarian leader, recently jolted the memory of his fellow citizens.

Imre Nagy was the reformist Communist Prime Minister of Hungary and leader of the ill-fated 1956 uprising, whose 30th anniversary will be marked today.

Soviet tanks crushed the uprising after two weeks at a cost of more than 2,500 dead. Workers and students were killed in street fighting, secret policemen hanged on lamp posts and Soviet tank troops burned alive.

Imre Nagy was executed by Moscow for treason in June 1958, along with other prominent reformers. The man who admitted he once "believed" in Mr Nagy is Mr Karoly Grosz, the first secretary of the Budapest Communist Party. His remark came in a series of interviews on Budapest radio with prominent Hungarians last month about the uprising and its causes.

Hungary's leadership has launched an unprecedented media campaign to inform citizens about this momentous event in their postwar history. In part, it was aimed to dispel charges by the tiny dissident community that the authorities still had 30-year-old political skeletons in the closet.

Hungarian TV is running a six-part documentary series on the causes, events and the aftermath of the 1956 "counter-revolution," a term which has been official usage in Hungary over the past 30 years. The Government has placed much of the blame for the uprising on Hungary's postwar Stalinist ruler, Mr Matyas Rakosi, who, with his "clique" are said to have violated every precept of Marxism-Leninism.

The official view of Mr Nagy, on the other hand, has become less abusive

Mr Janos Berecz, the central committee secretary for "agitation and propaganda," has written the authoritative Hungarian book on the 1956 events. He grudgingly notes that Imre Nagy, as Prime Minister from 1953 to 1955, took the "first steps towards a correct policy."

A bust of the Stalinist ruler Rakosi is hung from a lamp-post during the uprising

OPPONENTS of the Hungarian Government plan to hold a memorial ceremony this evening in a private Budapest flat to mark the anniversary of the 1956 Hungarian uprising, Leslie Colitt reports from Budapest.

Mr Miklos Haraszti, a prominent figure in the tiny but active dissident movement, said a public observance was forestalled by the police who warned "many people" of the consequences.

Among those summoned to the police, said Mr Haraszti, was Mr Sandor Racz who headed the Greater Budapest Workers' Council during the uprising.

Mr Racz, likened in his day to Lech Walesa, former leader of the banned Polish solidarity movement, was sentenced to life imprisonment in 1957 and amnestied in 1963.

More than 50 per cent of Hungarians are now under 35 years of age and have no direct experience of the uprising. Nevertheless, the authorities are busily circulating a modified official version of the "events" designed to satisfy citizens who had remained dubious in the past.

Hungarian TV is showing film of the mass demonstration which took place in Budapest on October 23 1956 and the bitter fighting which ensued.

Budapest secondary schoolteachers were recently instructed how to answer possible questions from students about the uprising.

Nepszabadsag, the main Communist newspaper, is running a daily series of questions and answers about the uprising and a new book has been published on Hungary since 1945.

But "revisionist" and "opportunist" groups soon rallied around him.

In the interview with Radio Budapest Mr Grosz went further and spoke of the deep impression Imre Nagy made on him as a young party member. When Mr Nagy pledged to reform the party in 1955, he noted, he "believed" and had "faith" in him.

He noted that after Imre Nagy was removed as Prime Minister in 1955, "I came to the point of thinking about leaving the party. It must be said I wasn't the only one." Mr Grosz had had doubts as early as 1949 after the execution by Mr Rakosi of Mr Laszlo Rajk, the Communist Foreign Minister, for alleged treason. "I felt that a party where such things could happen was not my party," he admitted.

When the uprising took place, he disclosed that most of his fellow comrades, his boss at the factory and his childhood friends supported Imre Nagy. "The most terrible thing," he recalled, "was that the workers were also on the other side."

The radio testimony of Mr Antal Apro who has served and survived all Hungarian Prime Ministers from 1953 onwards, and is still a member of the central committee, illuminated the role of Mr Yuri Andropov in choosing Mr Janos Kadar, Hungary's present leader.

Three days before Soviet tanks re-entered Budapest, on November 1, Mr Apro was talking with Mr Nagy in his office when the Prime Minister's secretary entered and said "Ambassador Andropov is here." Mr Yuri Andropov, later to become the Soviet leader, was to play the key role in choosing Mr Kadar as Mr Nagy's successor.

The Hungarian experience would recommend Mr Andropov for his subsequent post as head of the KGB and enable the late Soviet leader to speak fluent Hungarian with visiting politicians from Budapest.

After Mr Andropov's visit, Mr Apro said he left the Nagy team in Budapest and joined Mr Kadar, who was preparing to launch a counter-offensive from a Soviet base outside the capital.

Mr Dela Biszku, another prominent Hungarian politician under Mr Kadar, admitted that at a meeting of the provisional party leadership in December 1956 one side still insisted the uprising had been a "revolution, a national revolution." However, the new leadership assessed the "events as a counter-revolution and proved to be right."

Mr Nagy's fatal mistake, in the eyes of many historians, was to announce on November 1 that Hungary was quitting the Soviet-led Warsaw Pact alliance, after calling for a multi-party system and Western protection of the country's neutrality.

The outcome was devastating for Hungary. The loss of human life and physical destruction permanently seared the nation. Few Hungarians would have believed then that Mr Kadar could ever rise above the terrible charges levelled against him in 1956.

Yet his pragmatic policy of "whoever is not against us is with us" eventually won over the majority. Hungarians were prepared to let his government reform the political, social and economic system without demanding the freedoms which they knew he would not deliver. The catharsis of 1956 made the Hungarian compromise of today possible.

East Germany expected to resume relations with China

BY OUR BERLIN CORRESPONDENT

EAST GERMANY is expected to resume *de facto* relations with the Chinese Communist Party during a five-day visit to China this week by the East German leader Mr Erich Honecker.

Mr Honecker was invited in his functions as party chief and president by the Chinese party leader, Mr Hu Yaobang, as well as the president, Mr Li Xiannian.

The visit has the full support of the Soviet Union and, according to East European officials, reflects its interest to probe a restoration of Soviet party links with China.

Gen Wojciech Jaruzelski, the Polish leader, paid the first visit to Peking last month by a Warsaw Pact leader since the split in 1960 between the Soviet Union and China. But Gen Jaruzelski came on a brief working visit, in deference to the East German leader's "official friendship."

On the eve of Mr Honecker's arrival in Peking, the East German news agency ADN sharply attacked West Germany for an alleged "impudent interference" in its affairs in connection with the East German president's visit.

ADN noted that the West German ambassador to Peking, Mr Per Fischer, had expressed his displeasure to the Chinese over Hu's recent interview with the East German media in which he referred to the "people of the German Democratic Republic." Mr Fischer said Bonn saw Germany as one nation and thus, one people.

The Chinese leadership had previously adopted the West German position on German unity but recently, while wooing East Germany, Peking avoided such references

East Germany and China are to sign long-term agreements on economic and scientific-technical co-operation during Mr Honecker's visit.

The China Daily in Peking said China had signed a contract with East Germany to buy railway cars worth more than \$100m (£69.4m) for delivery in 1988 and 1989. Earlier this year, East Germany sold 1,000 refrigerated railway cars to Peking.

● West Berlin's governing mayor, Mr Eberhard Diepgen, is being urged to accept an East German invitation jointly to celebrate the 750th anniversary of Berlin next year in East Berlin.

The unusual invitation was recently sent to Mr Diepgen by Mr Erich Honecker, the East German leader, before his trip to China. Mr Diepgen also received an invitation to attend an international gathering of mayors in East Berlin. East Germany had previously refused to organise any joint anniversary celebrations by East and West Berlin.

The invitations were regarded as a possible "signal" that the wall which was built 25 years ago, may become easier to cross. The mayor was also urged to invite East Berlin's mayor, Mr Erhard Krack, to a planned meeting of mayors in West Berlin next May.

Athens firm on economic policies

By Andriana Ierodiaconou in Athens

GREECE'S Socialist Government will not relax its economic stabilisation policy despite the poor results for the Socialist Party in this month's municipal elections, according to Mr Constas Simitis, Economy Minister.

The Socialists' substantial loss of support in both urban and provincial areas in the municipal vote is mainly attributed to general disaffection with the economic austerity programme introduced by the Government a year ago to avert a foreign debt crisis.

The programme, which included a two-year near-freeze on wages and salaries, and a 15 per cent devaluation of the Drachma, was intended to reduce inflation and curb Greece's runaway current account and public-sector deficit.

"We intend to follow the policy set in October 1985 without any deviation. The existing incomes policy will be applied in 1987 as well," Mr Simitis said in a written statement designed to block speculation that the Government might relax its economic policy

The minister predicted that the economic stabilisation target for 1986 will be met. The authorities are aiming for an inflation rate of 16 per cent this year

They also hope to halve the current account deficit from \$3.3bn (£2.3bn) in 1985 to \$1.7bn by the end of 1986 and to reduce the public-sector deficit from 18 per cent of GDP to 13.5 per cent.

Further stabilisation was imperative to achieve a permanent improvement in competitiveness, "otherwise any economic recovery is bound to be temporary and to carry the danger of a resurgence of inflation and an increase of the deficits."

FAO calls for drive to beat famine in Africa

BY JOHN WYLES IN ROME

A RETURN to drought conditions will bring fresh starvation in Africa without a determined action programme to improve African agriculture, warns the UN's Food and Agriculture Organisation in its 1986 food report.

The arrival of the rains coupled with the supply through international aid of \$250m (£174m) worth of seeds and fertilisers means that food requirements have dropped drastically from the 7m tonnes needed by 21 African countries in 1985 to 2.7m tonnes this year.

But though the rains have returned, Africa's problems continue. Even the record Sahel harvest in 1985, more than 50 per cent greater than the year before, was only slightly larger than the 1981 harvest, the only other good year in recent times.

"Unless continued and vigorous action is taken to improve African agriculture, a return to drought conditions will mean a return to starvation," says the FAO.

Its picture of world food trends is one of abundance, particularly in the developed world, rising consumption in parts of the developing world, but continuing misery in nearly half of the 65 low-income food-deficit countries.

World food and agricultural production last year grew by 1.4 per cent as against 4 per cent the year before. The market economies in the Near and Far East showed significant increases. In the eight Sahelian countries of Africa, cereal output reached nearly 7m tonnes compared with 3.8m tonnes in 1984.

Output was less than 1 per cent higher in the developed countries and fell by nearly 3 per cent in Western Europe because of weather conditions.

Nevertheless, a record cereals crop (1,800m tonnes) for the second year running pushed up stocks so that they should reach a new peak this year of 362m tonnes—42 per cent located in the US.

Global direct human consumption of staple foods is expected to have reached 890m tonnes in 1985—3 per cent up on the previous year and higher than the growth rate of world population.

But the benefits were spread unequally, with *per capita* consumption expected to decline in 31 of the 65 low-income food-deficit countries. Over the past decade, consumption has fallen in 37 of these countries, says the FAO.

World Food Report 1986. Food and Agriculture Organisation of the United Nations. ...

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IG Metall chief pay negotiator quits in poll row

BY PETER BRUCE IN HAMBURG

WEST GERMANY'S biggest trade union, the IG Metall, lost its chief pay negotiator in spectacular circumstances yesterday, handing Mr Franz Steinkuehler a major political victory in his first two hours as leader of the union.

Delegates at the IG Metall congress in Hamburg had just completed a ritual election of a new executive yesterday morning when Mr Hans Janssen, who has been on the executive since 1977, walked to the podium and announced that because not enough people had voted for him, he refused to be re-elected.

Mr Janssen, 62, was one of the last of an older, left-wing order in IG Metall. He had begun recently to clash publicly with Mr Steinkuehler over ways of cutting working hours in order to create new jobs.

While Mr Steinkuehler, 49, has been encouraging talks of flexible working practices to meet the economics of new technologies, Mr Janssen earlier this week warned that "flexibility" was becoming a fetish and was designed to suit employers.

With considerable support, he has argued for a firm commitment to cutting the regular working week to 35 hours.

Mr Steinkuehler, however, represents a more technocratic, though probably more radical younger tendency in IG Metall.

There is constant talk at the conference, none of which he attempts to dampen, of strikes in support of a shorter working week campaign that the union plans to launch next year.

But even delegates from Mr Steinkuehler's home region—*Stutgart—who were responsible* for Mr Janssen's poor vote, conceded that his absence would make next year's negotiations harder.

He was a leading figure during the seven-week IG Metall strike for a 35-hour week in 1984 which closed down the West German motor industries and cut the working week from 48 hours to an average 38.5 hours.

Yesterday's voting could not have gone better for him. A young successor to Mr Janssen, a technology expert, Mrs Karen Benz-Overhage, 44, was found. Two other men in their mid-40s (one from Stuttgart) also joined the executive.

Mr Karl-Heinz Janzen, the new deputy chairman, is an ageing compromise candidate who will have to retire in three years, leaving Mr Steinkuehler time to groom a replacement.

Mr Steinkuehler's only reversal of the day was his own election, in which 83.5 per cent of the delegates voted for him, a fall from his election as vice-chairman in 1983 when he won 90 per cent of the vote.

This was being interpreted yesterday as a warning to him not to use his new arguments for a flexible approach to cutting working hours as a way of compromising with employers.

Martens set to stave off political crisis today

BY TIM DICKSON IN BRUSSELS

BELGIUM'S Prime Minisiter, Mr Wilfried Martens, is widely expected to stave off the country's grave political crisis today when he faces hostile opposition questions in parliament over the Government's handling of the "Happart affair." Observers in Brussels, however, said last night that the respite may only be temporary.

The bitter linguistic dispute, over the sacking of a French speaking mayor who refuses to learn Flemish, has opened serious divisions within the French and Flemish-speaking wings of the Christian Democrat parties, two of the country's four coalition partners.

The crisis forced Mr Martens to offer his resignation to King Baudouin last week, a gesture subsequently refused but which has been followed by more than a week of political uncertaintly.

Today's developments are crucial since the Government haas to present a united voice in answer to questions in Parliament.

The situation has been greatly complicated since the mayor in question — Mr Jose Happart — was last Friday re-elected First Alderman of his commune in the Fourons and, in that post, is once again *de facto* mayor.

The dispute now centres on rival legal interpretations of the various rulings in the case so far.

Great Italian road block disaster proves a flop

BY JOHN WYLES IN ROME

THE GREAT Italian road block disaster with a cast of thousands playing to an anxious audience of millions, has proved a miserable flop.

Lorry drivers whose protest action was supposed to have made Italy one giant botleneck this week have apparently decided that it was too costly to go ahead with their boycott of the motorways and strict observance of speed limits.

The protest action against a new government traffic safety decree imposing stiffer penalties on heavy goods vehicles which break the law, appears to have lacked any real organisation.

Up to 350,000 heavy lorries were expected to use only secondary roads on Tuesday but instead, many stuck to their ordinary routes on the motorways.

In many parts of the country, roads were quieter than usual because car drivers chose to stay at home rather than run the gauntlet of traffic jams.

FitzGerald beats off first crisis vote

By Hugh Carnegy in Dublin

DR GARRET FITZGERALD'S Fine Gael-Labour coalition last night overcame by the narrowest of margins the first of two attempts by the opposition Fianna Fail party to force an early general election. But it *still faces a finely-balanced* confidence vote in Parliament today.

It defeated by 82 votes to 81 a move to call a by-election in a vacant safe Fianna Fail seat which would have tipped the parliamentary balance against the government.

A similar victory today, now appears more likely. But the coalition, which has been under concerted fire by Fianna Fail in recent weeks, cannot be sure of victory as the votes of two backbenchers, one a Fine Gael member and one a former Labour minister, were last night still in doubt.

The two, Mr Liam Skelly of Fine Gael and Mr Joe Bermingham of Labour have threatened to vote against the government unless they get assurances on their respective proposals for a development plan for Dublin and social welfare spending.

In the by-election vote, Mr Skelly voted with the government while Mr Bermingham was not present.

Government spokesmen are confident of victory in today's vote, and their chances improved yesterday when another dissident backbencher, Mr Frank Cluskey, of Labour, confirmed he would vote with the government.

A government win would almost certainly rule out an election at least until after the budget in January. The coalition's five-year term runs out in November 1987.

Opening the debate prior to today's vote, which has been changed by the government from an opposition no-confidence motion into a motion of confidence in the coalition, Dr FitzGerald said the government still had a series of measures to enact, including framing a budget for 1987 which would have to include "firm action" to correct serious overruns on this year's spending.

Speculation that the coalition might fall because of disagreements between Fine Gael and Labour over formulating the budget has subsided since the Government issued a statement last week saying overall spending and borrowing targets had already been agreed, respectively to account for not more than 7.4 per cent of Gross National Product and 11.8 per cent of GNP.

Swiss minister to resign

SWITZERLAND'S Economy Minister, Mr Kurt Furgler, said yesterday he would resign at the end of December, the second of the seven-member government to do so this year, *Reuter reports from Berne.*

Political analysts said the resignation could cause a realignment of ministerial jobs but was unlikely to upset the balance of power in the "magic formula" four-party coalition that has governed the country for 27 years.

GLEANEAGLES CONFERENCE

Nato risks further delay on missile deal

BY DAVID BUCHAN IN GLENEAGLES

West Germany's Opposition Social Democrat party (SPD) has worked out proposals with the governing Communist party of East Germany for a nuclear-free "corridor" between the two Germanys, David Marsh reports from Bonn.

The plan, the result of several months of consultations between the SPD and the East German SED Socialist Union party, would prescribe Nato and Warsaw Pact forces from deploying short-range battlefield nuclear weapons within 150 kms. each side of the East-West border.

The proposals, which clearly have the blessing of the Moscow government, add to the Soviet Union's present campaign of trying to convince the West Germans of its desire for a superpower disarmament accord.

NATO DEFENCE ministers at Gleneagles, birthplace of the now famous "zero option," this week wrestled with the consequences of the decision they took five years ago.

For it was in 1981, at the same hotel in the Scottish Highlands, that Nato first agreed to forgo its planned deployment of 572 Cruise and Pershing 2 missiles, if the Soviet Union would scrap its SS20 missiles.

This week, Nato was far from showing joy unbounded at the prospect of its 1981 wish being fulfilled.

Indeed, in some quarters of the alliance, there is clear trepidation that the US and Soviet Union got as far, in Iceland 10 days ago, as discussing total removal of medium-range Cruise, Pershing 2, and SS20 missiles from Europe, leaving a residual 100 warheads each in Soviet Asia and Alaska.

Yesterday's closing communiqué of the Nato Nuclear Planning Group (NPG) papered over the cracks by stressing that any deal on medium-range 1,000 to 5,000 km missiles should be "accompanied by other appropriate provisions concerning rights and constraints on shorter range missiles" of less than 1,000 km.

This is the first time that Nato as a whole has formulated any such links. It risks creating further delay on a zero-zero deal on US and Soviet medium-range weapons, just when at last that seemed available from Moscow.

In particular, West Germany has told its partners in the NPG that it wants written into any cruise/Pershing-SS20 deal a commitment binding the Soviet Union to start early negotiations on the several hundred missiles it has in Eastern Europe and European Russia with a range as low as 150 km.

All other Nato governments sympathise with West Germany's concern about the particular short-range missile threat to its territory. Notably, they include the UK, which is itself now believed to be in range of some of the forward deployed shorter range Soviet weapons.

But none of them, not even the UK, appears to want any further negotiating complications that could cause the political prize of a zero-zero deal on medium-range weapons to slip away.

Thus, both Mr George Younger, UK Defence Secretary, and Mr Caspar Weinberger, US Secretary of Defence, said yesterday that "it would be fine" if removal of medium-range weapons from Europe could be secured on the conditions laid out in Iceland.

This was that the Soviet Union would, separately, agree to freeze its stock of shorter-range weapons and at some point negotiate reductions.

In the hectic and hasty Iceland discussions, the super powers merely talked of negotiations on shorter-range weapons with a maximum range of 1,000 km but without defining a minimum range.

Most Nato governments assume this minimum to be around 500 km, encompassing only about 100-120 Soviet SS22 and SS23 missiles.

But Bonn is anxious to get reduced or eliminated the several hundred Soviet missiles, particularly the Scud, with a range as low as 150 km.

Lord Carrington, Nato Secretary-General, suggested yesterday that if the Pershing 2s and cruises left Western Europe, "in logic" the Soviet Union could call back the SS22s and SS23s it has moved forward to Eastern Europe since 1983 as its declared response to the cruises and Pershings.

But whether such a pull-back, as distinct from elimination, of these weapons could satisfy the West Germans is now in doubt.

Clearly then, removal of the SS20s, with a range up to 5,000 kms would not now be the end of the story for Nato. In a sense, it never was.

It is now almost completely forgotten that the original proposal in 1977 from the then West German Chancellor Helmut Schmidt for some strengthening of the US nuclear commitment to Europe was not directly tied to the SS20 threat.

The motives, rather, were:

To supplement nuclear armed F-111 aircraft which could not longer be relied on to pierce Soviet defences; and to assure Europe politically that the US, even though by the late 1970s it faced a Soviet Union equal in strategic nuclear weapons, could and would fulfil its commitment to Europe's nuclear defence.

Post-1977 Soviet deployment of SS20s came to be a convenient political justification for the arrival of cruises and Pershings.

In fact, there is now probably a political imperative, for all allied governments, even ultimately Bonn, to accept the zero-zero deal on medium-range weapons. But the Euro-missile equation looks a lot less simple than it was presented five years ago.

Bonn to ease sentences for terrorist witnesses

BY DAVID MARSH IN BONN

THE West German Government, in an attempt to crack down on mounting terrorist attacks, intends to rush through Parliament new legislation *offering milder sentences or* complete immunity to criminals who testify against their accomplices.

A law granting more lenient treatment for terrorists who become state witnesses in court cases involving acts of political violence is likely to be brought before the federal assembly (Bundestag) next week.

The proposals represent the first significant public steps by the centre-right *coalition Government to* intensify the fight against terrorism since the murder in Bonn a fortnight ago of Mr Gerold von Braunmühl, the late political director in the Foreign Ministry.

This killing, the first political assassination in the German capital since the foundation of the federal republic in 1949, shocked public opinion and has persuaded, above all, the junior liberal Free Democratic (FDP) partners in the coalition *of the need for tougher anti-terrorist* measures.

But the new moves have drawn criticism from the Social Democratic Party (SPD) opposition which claims that state witness laws in countries such as the UK and Italy have not always proved effective.

The "state witness" legislation, to be used only in terrorism cases, is intended to run until the end of 1988. The measure has been prompted by growing calls from police and security investigators that German legislation designed to protect civil rights has reduced efficiency in the hunt for terrorists.

A committee of politicians from the conservative coalition Christian Democrat and Christian Social parties as well as the FDP also discussed yesterday other improvements in the search for perpetrators of political violence.

These include greater use of computers and personal data banks in police investigations. The conservative parties have been growing restive about data protection laws brought in by the previous SPD-FDP Government which are alleged to have impeded the search for terrorist suspects.

OVERSEAS NEWS

Senior Deng opponent dies aged 90

By Colina MacDougall in London

MARSHAL Ye Jianying, a senior opponent of the economic reforms of China's paramount leader, Deng Xiaoping, and for many decades a top military man, died yesterday in Peking aged 90.

Marshal Ye retired from his key post on the ruling Politbureau standing committee last September.

Ye supported the 1976 overthrow of the so-called Gang of Four, Chairman Mao's wife and her group from Shanghai, but he was widely regarded as a political hard-liner.

He opposed the down-grading of military power and the economic liberalisation which followed Deng's rise to influence in 1978, and provided a focus of loyalty for other conservative Marxists.

He survived the Cultural Revolution, keeping his Politbureau post at the radical ninth party congress in 1969. Four years later, he became a party vice-chairman.

Cautious diplomat Chissano favoured to succeed Machel

BY ANTHONY ROBINSON IN JOHANNESBURG

President Samora Machel, whose body has been brought back to Mozambique from South Africa and will lie in state from today in the Maputo city hall, will be given a state funeral on Tuesday.

Leaders of the so-called front-line states and representatives from both East and West and from the Non-Aligned Movement are expected to attend. It is not yet known who will represent South Africa.

The successor to President Machel, who died on Sunday night in a plane crash just inside South African territory on his way back from a meeting of frontline states in Zambia, is not expected to be announced until after the funeral.

At this stage the three most likely candidates appear to be Mr Joaquim Alberto Chissano, the 47-year-old Foreign Minister, Mr Marcelino Dos Santos, the 55-year-old senior member of the 10-man Politburo, and the recently appointed Prime Minister and economic supremo Mr Mario Da Graca Machungo.

The country's sole official political party, the Frente De Libertacao De Mocambique (Frelimo), is organised on classic Soviet bloc lines with a political bureau, a central committee and a central committee secretariat.

The next leader is almost certain to be chosen from the politburo. Mr Chissano and Mr Machungo are politburo members and members of the six-man secretariat. President Machel was also a member of both.

Less likely candidates are Mr Alberto Joaquim Chipande, the Minister of Defence, and Mr Sergio Vieira, the Minister of Security.

Marcelino Dos Santos, a poet and Marxist-orientated intellectual, is one of the co-founders of Frelimo and is married to a South African. He was formerly party economic secretary but, like Prime Minister Machungo, lost ground in 1983 when the failure of Soviet-style central planning methods and a Soviet-style military offensive against Mozambican National Resistance (MNR) rebels led to a cautious diplomatic and financial opening to the West.

Both men were sent into the provinces as provincial governors where Mr Machungo in particular regained prestige by re-organising agricultural production in Zambezia province.

Both men were brought back to Maputo in a ministerial reshuffle in April this year.

Mr Dos Santos and Mr Machungo are both considered fairly orthodox pro-Soviet figures, as is Security Minister Vieira.

General Chipande, the Defence Minister, was also sidelined after the failure of the 1983 Soviet designed anti-MNR offensive but was brought back following the failure of the March 1984 Nkomati accord with South Africa to end the spreading MNR offensive. As Defence Minister, he too works closely with Soviet bloc military advisers.

Given the patchy track record of the above figures, sources in Maputo indicate that veteran Foreign Minister Mr Joaquim Chissano could be the best candidate for the succession. Foreign Minister since independence, he has travelled widely on diplomatic missions. The youngest of the main contenders, he has steered a careful line between East and West.

South Africa has announced that the official inquiry into the plane crash will be conducted by Mr Justice Margo, an ex-Battle of Britain pilot and senior judge. The Soviet Union and Mozambique have been invited to take part.

A Soviet diplomat from Maputo and the wife of the surviving Soviet pilot have been allowed to visit him in a Pretoria military hospital

Aquino defuses crisis in government

By Steven B. Butler and Samuel Senoren in Manila

MRS CORAZON AQUINO, the Philippine President, yesterday defused a crisis in the Government with the announcement of a much tougher policy toward communist insurgents. She warned that she would soon set a cut-off date for cease-fire negotiations and initiate moves to combat the insurgency.

The shift in policy is a victory for Mr Juan Ponce Enrile, the Defence Minister, who in recent weeks has precipitated a power struggle by issuing public calls for a stronger anti-communist stance by the Government.

Mr Enrile's open questioning of Mrs Aquino's legitimacy had raised fears of possible military action against the Government, but Mrs Aquino's shift in policy has at least temporarily relieved the threat.

Mr Enrile has not reacted publicly to the new policy, and doubts persist over whether unity has been restored to the Government. Mr Enrile's call for Mrs Aquino to stand for new elections has not been answered, and many observers expect Mr Enrile to continue pressing this demand in the coming weeks.

Mrs Aquino announced the shift in policy just hours after the conclusion of a meeting of all major military commanders, in which top service officers took the unusual step of issuing a statement calling for a cut-off date to negotiations with the rebels and an integrated approach to the insurgency problem rather than to seek peace at any cost.

Mrs Aquino will be under strong pressure to break off the negotiations quickly.

The Philippine President said she met with Mr Enrile for two hours of "peace talks" on Tuesday night and said yesterday that "there is no falling out between Minister Enrile and myself."

She praised the role played by General Fidel Ramos, the Armed Forces Chief, and Mr Jose Concepcion, the Trade Minister, in promoting reconciliation in the Cabinet.

Speaking of communist intransigence at the negotiating table, Mrs Aquino said that "our patience has been worn thin," and warned that "any armed attacks against Government centres would hasten the cut-off of talks and the start of military measures."

Mrs Aquino said the government was formulating a coordinated set of political, and military measures to combat the insurgency, which is believed to have effective control over some 20 per cent of rural districts.

The events of recent days have proven that Mr Enrile speaks for strong sentiments in the military, and that the attacks on the Aquino Government are not simply the result of personal ambition. Few doubt, however, that Mr Enrile is anxious for the opportunity to run for the presidency.

Gandhi sacks Minister for Internal Security

BY JOHN ELLIOTT IN NEW DELHI

TWO OF India's top politicians who have been close advisers of Mr Rajiv Gandhi, Prime Minister, lost their jobs yesterday in the fifth ministerial reshuffle introduced since Mr Gandhi first formed his government 22 months ago.

Mr Arun Nehru, Minister of Internal Security, a cousin of Mr Gandhi and once one of his closest aides, was dropped from the Government.

Mr Arjun Singh, previously a successful state governor of the Punjab, has lost his key organisational job of vice-president of the ruling Congress I party and has been given a minor ministerial post in charge of communications with a seat in the Cabinet.

Among other changes, Mr Narayan Datt Tiwari, a highly respected Congress I politician, has been promoted to be Minister of External Affairs replacing Mr Shiv Shankar who continues with the post he also held of Minister of Commerce.

The reshuffle reflects Mr Gandhi's continuing problems in establishing an efficient ministerial team of people he can trust and in establishing effective day-to-day leadership in the Congress I party of which he is president.

The changes, especially the dismissal of Mr Nehru, an abrasive, controversial and ambitious politician, demonstrate the continuing authority of Mr Gandhi. There is no significant challenge to his position as Prime Minister and party leader nearly two years after he took over after the assassination of his mother Mrs Indira Gandhi in spite of a growing chorus of dissent from disgruntled former senior figures in his party.

His liberalised economic and industrial policies are under attack from some wings of his party and there have also been criticism of Mr Vishwanath Pratap Singh, the Finance Minister, for tax raids on leading businessmen and companies. But Mr Singh was not moved in yesterday's reshuffle and there is no sign of any changes in the Government's economic and other policies as a result of the ministerial changes.

Mr Gandhi said yesterday he was bringing some "senior heavyweights" into the cabinet. He dropped five ministers including Mr Nehru and brought in three new cabinet ministers including Mr Arjun Singh, and four ministers of state.

The most controversial move is the dropping of Mr Nehru, 41, from his powerful post of minister of internal security. He is believed to have been offered an alternative post as an independent minister of state but declined.

He appeared to fall out with Mr Gandhi earlier this year, possibly because he may have been exploiting his ministerial position in a bid to create an alternative centre of party power to Mr Gandhi. His national security responsibilities were trimmed when he had a heart attack in June. It is unclear whether he will join other Congress I dissidents in the hope of mounting a challenge to Mr Gandhi.

Israelis identify new Palestinian terror group

BY ANDREW WHITLEY IN JERUSALEM

ISRAELI security authorities claim they have unearthed a previously unknown Palestinian terrorist organisation with strong religious affiliations. They say the group was responsible for last week's grenade attack in Jerusalem.

Calling itself the Legions of Islamic Jihad, the group is said to come under the umbrella of Mr Yassir Arafat's Palestine Liberation Organisation. It apparently represents an attempt by the PLO to promote the tide of religious revivalism throughout the Moslem world, including the Israeli occupied territories.

Last week's Wailing Wall bombing was the worst guerrilla incident since the reunification of Jerusalem in 1967. It is not known whether the group has carried out any previous acts of violence.

A caller claiming to represent an organisation with the same name telephoned a newsagency in London immediately after the bombing last Wednesday saying it had carried out the attack. However, in the welter of claims and counter-claims, little attention was paid to it at the time.

The group apparently has no connection with the shadowy Shia group known as Islamic Jihad in Lebanon, responsible for many recent terrorist incidents and kidnappings.

Five alleged members of the group, all of them Jerusalem residents, are now under arrest and awaiting trial. At least two are members of the same family. The authorities have publicly acknowledged only three detentions so far.

In the course of the investigation into last week's attack, the police also disclosed yesterday that they had captured the person responsible for the previous worst terrorist incident in Jerusalem – the December 1983 attack on a city bus in which six people died

No details have been released about the detained man, apart from the fact that he is from east Jerusalem and is said to be a member of Fatah, the largest PLO faction.

Tokyo share prices slump 16.5% since August peak

BY IAN RODGER IN TOKYO

SHARE PRICES slumped yesterday for the eighth straight day on the Tokyo stock market, bringing the fall since the August peak to 16.5 per cent.

Analysts remained gloomy about the prospects for a rally, fearing instead that margin calls would put increasing downward pressure on the market in the next few days. And the outlook for the next few months looked dull, as better investment opportunities were emerging elsewhere.

Until last month the Tokyo market had been one of the wonders of the financial world this year. In spite of the deteriorating performance of, and prospects for, the Japanese economy, the market had risen 44 per cent between January and August. At the peak, the average share price was a dizzying 58 times its underlying earnings and over 3bn shares a day were being traded.

It was generally agreed that the driving force in the market had been surging excess liquidity, caused by Japan's rapidly growing trade surpluses, coupled with the lack of attractive alternative opportunities for Japanese investors.

Now many analysts think that the so-called weight of money argument may be losing its force. On the one hand, the trade surpluses are probably nearing peak levels. Also, investors are directing more money abroad, partly because many restrictions on foreign investment have been lifted in recent months and partly because exchange rates have become relatively stable. Last month purchases of foreign bonds hit a new peak of $11.7bn (£8.2bn).

Analysts have cited a number of other factors depressing the market. A rash of redundancy announcements by major manufacturers in recent weeks has underlined the seriousness of the slump in industry.

Early this week, the Keidanren, the powerful association of Japan's leading industries, forecast that economic growth in the current fiscal year would reach only 2.5 per cent, well below the Government's 4 per cent target.

Yesterday, there was renewed speculation that the Government's imminent tax reform proposals would include a capital gains tax on all share transactions. Now only large lot transactions are taxed.

Yesterday's stock market decline, like all those of recent days, took place in light trading of only 361.4m shares. The Nikkei index fell 386.22 or 2.4 per cent.

Beira fund campaign begins

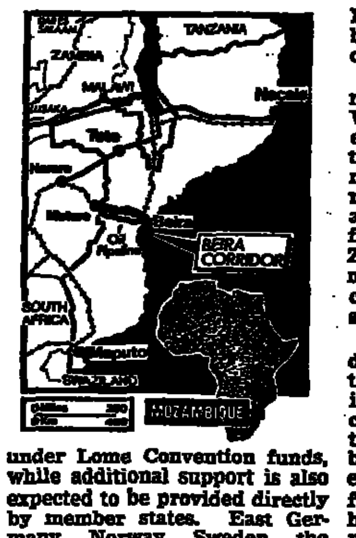
BY TIM DICKSON IN BRUSSELS

A KEY fund-raising effort begins in Brussels today to find \$185m (£129m) for the "Beira corridor" — the crucial pipeline and rail link between Zimbabwe and the Mozambique coast.

The two-day conference, hosted by the European Commission and convened by one of the agencies of the Southern African Development Co-ordination Conference (SADCC), has been arranged to secure investment for the first phase of a project to upgrade, or "rehabilitate," the much attacked 400-mile route between Harare and the Indian Ocean port of Beira.

The programme has taken on renewed importance following the sanctions threat by South Africa against the front line states and is designed to reduce these countries' dependence on Pretoria for trade and transport.

The European Commission confirmed yesterday it has agreed to make \$40m available under Lome Convention funds, while additional support is also expected to be provided directly by member states. East Germany, Norway, Sweden, the World Bank, Finland, the US and the African Development Bank are among those who will be represented at the conference.



The possibility that Pretoria might close its borders if the West imposes more punitive economic sanctions is the threat that lies behind the latest fund raising initiative. The region relies on South Africa's ports and railways for the bulk of its foreign trade with landlocked Zimbabwe, for example, sending more than 90 per cent of its cargo traffic through its southern white neighbour.

The contingency plan being discussed in Brussels today and tomorrow is aimed at upgrading the corridor so that it could cope with a sudden increase in traffic following a clampdown by Pretoria. The plan also envisages development projects for the port of Beira and its hinterland for which the EEC money, for example, has already been specifically earmarked.

Savimbi puts case to European MPs

By Quentin Peel in Strasbourg

MR JONAS SAVIMBI, leader of the rebel Unita guerilla movement in Angola, yesterday overcame the united protests of left-wing parties to present his case to conservative members of the European Parliament.

In a speech to more than 100 Meps who had backed his invitation, he renewed his appeal for peace talks in Angola to end the 11-year-old civil war in the country.

His presence in the parliament nonetheless caused widespread embarrassment to the officials of the institution, forced to deny that he was there in any way at their instigation.

Mr Savimbi, denounced as a terrorist and an assassin by both socialist and communist groups, was invited by a joint group of Christian Democrats, Liberals, British, Danish and Spanish Conservatives, French Gaullists, and the extreme right-wing group of the European right.

He came in a cavalcade of cars, and posed in front of the flags of the EEC member states, in spite of protests from the ambassadors of African, Caribbean and Pacific countries represented in Brussels.

Mr Savimbi insisted that his message was one of "peace and responsibility" in Angola.

"We are prepared to negotiate and talk with them (the MPLA government in Angola) and to find solutions which could put an end to the civil war which is in danger of destroying our country," he said.

The Socialist group in the parliament, the largest single group, accused him instead of "leading murderous campaigns of destruction of infrastructure and production centres against the legitimate government of Angola."

South African business plea

BY MICHAEL HOLMAN

SOUTH AFRICA has moved into a "stalmate between violence and repression," but the business community could help resolve tensions and act as a bridge between the government and the black leadership, Mr Jan Steyn, executive chairman of the Urban Foundation, the country's leading business lobby, said in London last night.

Such a role, however, would need to be accompanied by "certain stances and gestures" from western governments and anti-apartheid lobbies, said Mr Steyn.

The first need was open recognition of "the complexity of change" in South Africa, followed by the setting of what Mr Steyn termed "realistic targets within a politically feasible framework."

"We do not anticipate any departure from the present sanctions policy abroad," said Mr Steyn, in a speech to the South Africa Club, but "it is critically necessary for clear signals to be given on what realistic achievements would occasion a change in the retributive and punitive mould in which much of the international response is cast."

Finally, local intiatives for negotiation between black and white need material and moral backing from abroad. "Overseas agencies must help those initiatives they consider constructive and viable," said Mr Steyn. "We desperately need this support in order to sustain private sector motivation and commitment."

There was already a private sector consensus, said Mr Steyn, which stands for "a South Africa united under a single central government, in which all South Africans will participate through a universal franchise."

The business community (which included black South Africans) represented the only effective agent for change left to Western governments, argued Mr Steyn.

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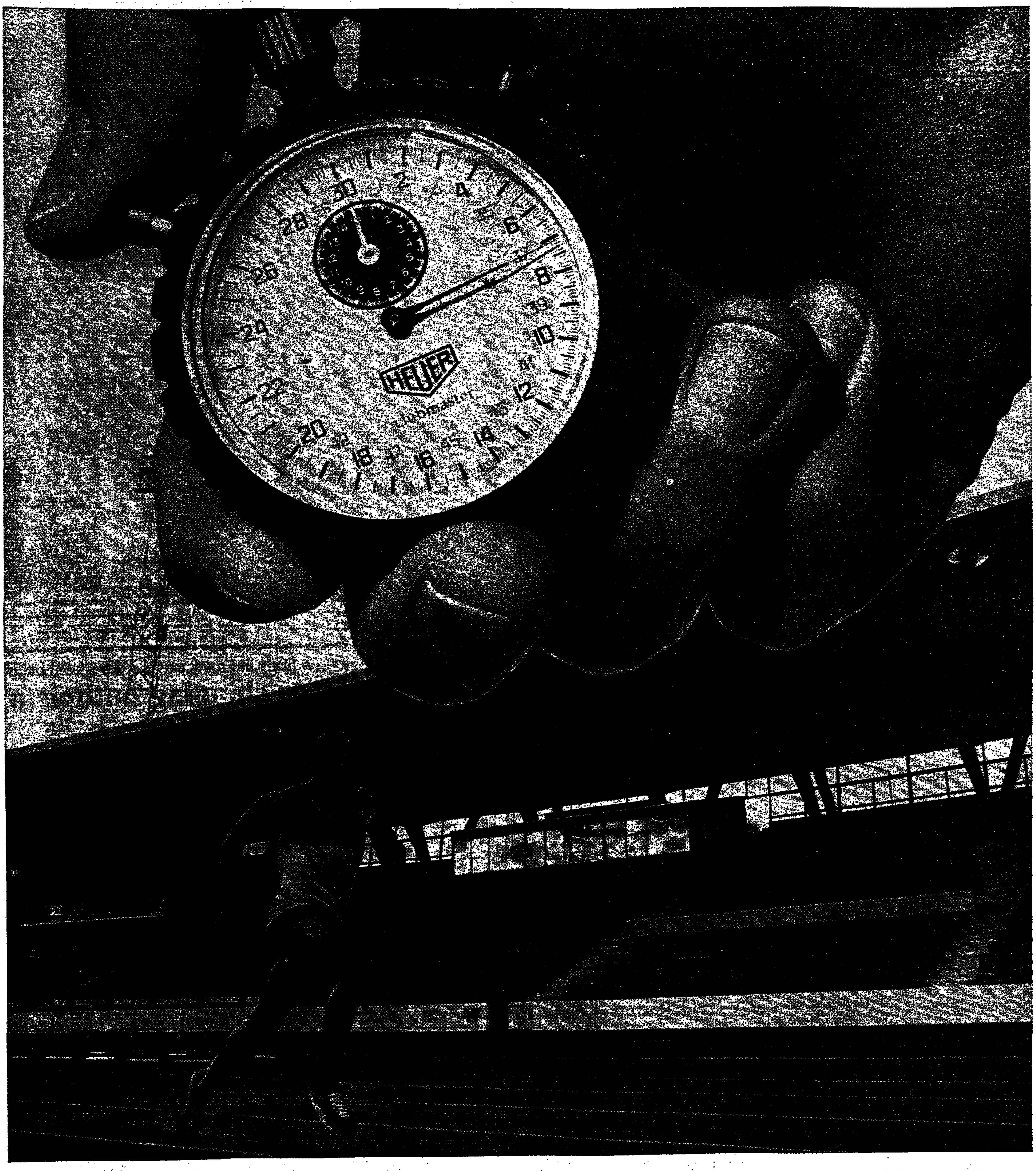

Linford Christie is the fastest man in Britain. When he won the 100 metre gold at this year's European Championships in Stuttgart, (breaking the British record in the process) he was travelling at an average speed of 22 mph.

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AMERICAN NEWS

Strong car sales lift US economy to 2.4% growth

BY LIONEL BARBER IN WASHINGTON

THE US ECONOMY, buoyed by strong car sales, grew by 2.4 per cent at an annual rate in the third quarter, according to preliminary figures published by the Commerce Department yesterday.

The pick-up contrasted with the 0.6 per cent growth in goods and services in the second quarter, and was in line with most analysts' predictions.

Gross national product (GNP)—the nation's output of goods and services—grew by $11.9bn. Most of the rise was accounted for by consumer spending which rose by $42bn.

Mr Malcolm Baldridge, Commerce Secretary, predicted 4 per cent growth for the fourth quarter, reflecting continuing Administration optimism about the US economy. But economists noted that fourth quarter growth would have to rise by 8.1 per cent to hit the Administration's long-standing goal of 3.2 per cent for 1986.

The GNP figures give only a partial view of the US economy and do not contain trade and stocks data for September. Economists described them as politically neutral in their effect on the mid-term on November 4.

The Republicans can point to growth in the economy while the Democrats can highlight falling exports, which raise concern over the federal trade deficit, now running at a rate of about $170bn.

During the third quarter, US exports fell by $10.7bn, after a $28bn decline during the second quarter. Mr Baldridge said the poor trade performance had reduced US economic growth this year by close to 2 percentage points.

The GNP price index, a measure of inflation, rose by 2.5 per cent in the third quarter compared to 1.7 per cent in the second, according to the Commerce Department. This was roughly in line with market expectations.

Mr Leonard Santow, of New York-based Griggs and Santow, international financial consultants, said: "The figures show 3 per cent real growth and inflation at between 2½ and 3 per cent. The question is how much inflation will pick up over the next two years."

Think tank warns Reagan over Star Wars proposals

BY NANCY DUNNE IN WASHINGTON

IF PRESIDENT Ronald Reagan persists in development of the Star Wars space defence system, the Soviet Union may react by expanding its offensive arsenal even before a US decision is made on deployment, according to a report by the Council on Economic Priorities.

Given the Administration's recent disavowals of Salt II treaty limits, the Soviet Union may begin to deploy new missiles — both to prepare themselves for deployment of a Western anti-missile defence and to develop a stronger bargaining position for future negotiations, the council said.

The New York-based independent think tank said the Soviets could double their strategic land-based arsenal at a cost of about 5 per cent of one year's defence budget. Two-thirds of 1 per cent of the expected Soviet defence expenditures over the next 15 years would be required to deploy 2,500 cruise missiles in an effective alternative strategy.

According to the council, the Soviets lag so far behind the US in their computer technology — between six and 18 years — that it is "extremely doubtful that the USSR can successfully compete in the development of an extensive, fully integrated advanced technologies defence."

Any near-term attempt at defence is likely to be directed towards protection of its offensive weapons and would probably first appear near the Soviet's missile installations should deployment actually go forward.

Argentine bishops in clash over divorce

By Tim Coone in Buenos Aires

THE CONFLICT over divorce in Argentina between the State and the Catholic Church hierarchy has intensified after several bishops refused to allow communion and confession for legislators who have voted in favour of introducing divorce.

The Divorce Bill, being promoted by the ruling Radical Party, has already been passed overwhelmingly by the Chamber of Deputies. It still has to pass the Senate before it can become law, and according to leading Senators backing the bill, there is little chance of it being debated before the legislative period closes at the end of the month.

Government hopes to have the Divorce Bill passed in 1986 have thus been dashed and further debate in the Senate is unlikely until May next year, during the next legislative sitting, and only after the visit of Pope John Paul II to Argentina in April.

The refusal to give communion to the legislators is being seen as a deliberate attempt by the Church to influence the debate.

The Argentine Episcopal Conference, to which all bishops belong, discussed the strategy last month, but it was not until last week that three bishops announced that they would refuse communion and confession to the deputies.

According to Monsignor Carlos Galan, Secretary General of the Episcopal Conference, the measure is not binding on all bishops but "is simply a suggestion to bishops who want to remind deputies who are members of the church and who have voted in favour of divorce, that they have made a mistake and as such would have to make a public retraction before accepting Holy Communion."

One of the more outspoken bishops, Mons. Jaime de Nevares, criticised his colleagues. He said such serious sanctions had never been adopted before "even when many military people and civilians during the military government committed terrible violations against human rights."

A recent opinion poll showed over 70 per cent of the public to be in favour of divorce, a figure which has climbed from 68 per cent at the time the Radical Party took power in December 1983.

Mary Helen Spooner in Santiago reports on a crucial World Bank decision

US warnings on debt approval worry Chile

GENERAL Augusto Pinochet's 13-year-old military regime is nervously waiting to see whether the Reagan Administration will follow up public warnings issued by the US State Department that Washington might oppose multilateral loans to Chile on human rights grounds.

The World Bank, which helped to organise $1.95bn in external financing for Chile for 1985-86, will vote on a $250m structural adjustment loan covering balance of payments support in the next few weeks.

Subversion

If the Bank fails to approve it, disbursement of the last $40m tranche of private commercial financing for this year, would be in jeopardy. The country's efforts to negotiate new money for next year, including about $350m in private bank loans, would also be seriously affected.

The Chilean embassy in Washington has issued a statement charging that US opposition to the World Bank loan "will give fuel to the fire of communist subversion" and would "unite the people of Chile against the United States' interference in their internal affairs."

Mr Felipe Larrain, an economist at Chile's Catholic University, recently warned that denial of the adjustment loan could effectively block $1.15bn in external funds, including other multilateral loans, new commercial credits and $200m in foreign investment disbursements expected for next year.

He predicted that Chile, even taking a growing trade surplus into account, would run a current account deficit of $950m next year, and have to pay another $410m in debt amortisation. In the face of such a financial squeeze, Mr Larrain said, Chile would have no choice but to suspend its debt service payments.

"In any reasonable scenario, denying the structural adjustment loan would not favour Chile, nor the US Government nor our country's foreign creditors," he said, noting that even a temporary moratorium on debt payments could cut Chile off from import financing and spark seizure of the country's overseas holdings.

The Pinochet regime's human rights record is one of the worst in Latin America, and is not likely to improve under the state of siege imposed in the wake of last month's presidential assassination attempt. But Chile has been held up as a model for other debtor countries in adhering to International Monetary Fund accords and in working out multiyear debt reschedulings with private creditors in conjunction with multilateral lending institutions.

CHILE'S DEBT ($m)	
1980	10,990
1981	14,740
1982	17,933
1983	18,126
1984	21,363
1985	21,000*
1986	20,000*

* Estimated

Source: OECD DAC

An IMF team arrived in Santiago this week to observe Chile's compliance with an extended fund facility agreement and to discuss a possible extension of the accord to mid-1988. At the end of August the Chilean central bank's net international reserves stood at $1.5bn. A figure expected to increase by $50m by the end of the year.

Chile's balance of trade during the first eight months of the year showed a surplus of $880m, 64.3 per cent higher than the same period last year. The Chilean authorities will raise the possibility of using the country's international reserves if the World Bank fails to approve the strucural adjustment loan.

Chile has pending loan applications worth about $800m in the World Bank and the Inter American Development Bank. In addition to the structual adjustment loan, there is a $300m IADB loan for a hydroelectric project south of Santiago and a variety of smaller loans for improving the country's economic infrastructure.

The US holds only 20 per cent of the vote on the World Bank board, and no country has the power to veto loans. Britain, which controls 5.7 per cent of the vote, has a strong tradition of easing its vote on purely technical criteria, which means almost certain approval for the loan.

It is uncertain whether the US is considering merely voting against the multilateral loans or actually lobbying to block them—which would require a negative vote of 50.1 per cent. This could be achieved if other European countries, Australia and Canada who hold a total of 33.2 per cent of the World Bank votes, back such a US position.

The US does have veto power over the IADB loans, and holds 34.5 per cent of the vote distributed among 43 member countries represented on the IADB board.

In addition to the $300m loan application for the hydroelectric project, Chile has requests for approximately $87m in other IADB loans.

Earlier this month Mr Francisco Cuadra, the regime's Secretary General and chief spokesman, said a negative vote on the World Bank loan could force the Government "to take basic political decisions, which could diminish the rhythm with which the transition (to democracy) has been managed."

The statement suggested that the Pinochet regime might respond by adopting a defiant hardline stance, but also that the Chilean authorities were taking the threatened US move very seriously.

Crackdown

The spectre of Chile declaring a moratorium on its debt payments, perhaps accompanied by nationalist rhetoric and an even harsher crackdown on dissidents, may worry some Reagan administration officials, but according to one former Chilean Government official, the Pinochet regime is unlikely to adopt such a policy.

"The fallout from a debt moratorium would cost the Government crucial support from the Chile business community," the former official said. "Pinochet is well aware that a nationalistic reaction would be a very short term solution."

New pensions chief may boost divestment campaign

BY DAVID BLACKWELL IN NEW YORK

THE EXODUS of US companies from South Africa—highlighted by the withdrawal of IBM and General Motors—is likely to gain momentum with the appointment of Dr Clifton Wharton, a fierce critic of apartheid as chairman and chief executive officer of TIAA-CREF, the biggest US pension fund with $45bn (£31bn) of investments.

Dr Wharton, 60, Chancellor of the State University of New York for nine years, was the first black to be admitted to the prestigious Johns Hopkins University School of Advanced International Studies, Baltimore, in 1948. He is strongly opposed to apartheid, and two years ago said US corporations should get out of South Africa —"all the way out, and as fast as they possibly can." As long ago as 1978 he was advocating sanctions against South Africa.

TIAA-CREF is the pension system for colleges, universities, independent schools, and educational associations across the US.

In July the group, which Fortune magazine ranks as the fourth most admired company in the life insurance industry, changed its stance on South Africa after sending a fact-finding mission there.

It concluded that the situation had become so political that the presence of US corporations could no longer be "a force for positive change."

Since then it has written to 160 corporations urging them to withdraw from South Africa. It has more than 20 shareholder resolutions pending on the issue, and is waiting to see the response from other shareholders before acting.

The group has $6.5bn invested in companies with South African links.

Terry Dodsworth adds: Warner Communications, the film and entertainment group, announced yesterday that it was selling its South African operations, while Honeywell, the computer and technology group, said it was "considering certain options" for the sale of its South African affiliate.

Warner, which employs 150 people in South Africa, and has 30 per cent of the record market, aims to sell its local operation, WEA Records, to South African investors.

It said it was making plans to accomplish the divestment "in the most fair and equitable manner possible so as to protect the livelihood of our multiracial workforce." It gave no details of the financing arrangements for the transaction, nor its future relationship with the South African enterprise.

Honeywell also employs 150 in South Africa, mainly in the distribution of imported control systems.

The company said discussions were going on at board level although no final action had yet been taken.

● In Italy Olivetti, the electronics company, denied that it planned to expand its South African operations.

Clifton Wharton

WORLD TRADE NEWS

Tokyo urged to speed up trade barrier removal

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Community yesterday told Japan that it must speed up progress on removing trade barriers caused by unnecessarily restrictive industrial standards and certification procedures.

The latest initiative – in the form of an "aide memoire" delivered to the Japanese ambassador in Brussels – comes ahead of next week's meeting of EEC foreign ministers when the state of trade relations with Tokyo will be high on the agenda.

It also coincides with trade figures for the first nine months of 1986 which show that Japan's surplus with the Community at $13.3bn already comfortably exceeds the total for the whole of 1985 while Japanese imports from the EEC (in yen) are slightly down on the equivalent period last year.

Commission officials yesterday registered their disappointment at developments in the electrical appliances, cosmetic products, pharmaceuticals, motor vehicles and medical equipment fields since the launch of Tokyo's much-publicised Action Programme 12 months ago.

"While there has been some progress with standards-related measures towards more market openings, it does not go as far as the Community would wish, or indeed as far as the guiding principles of the Action Programme itself might suggest," a spokesman explained.

Yesterday's document concentrates on several key sectors:

● On electrical appliances, the Commission see "little evidence" of a more open approach. Most of the 71 products for which type approval was abolished in April 1986 are of "marginal interest" to European exporters, for example, and "no changes have been made in respect of categories of goods for which European suppliers are competitive."

● Conditions of access for imported cosmetic products into Japan show "a distinct improvement." They are, however, "unnecessarily rigid and will only be carried out over a relatively long period."

● The Community feels the action programme on pharmaceuticals is being carried out but is worried that it does not address "its priority problem, namely the acceptability of European pre-clinical test data based upon European guidelines."

● The Community welcomes the efforts made by the Japanese Ministry of Transport to simplify Japanese certification requirements for motor vehicles but says it still "falls short of the degree of liberalisation necessary to provide a major incentive to foreign exporters to the Japanese market." Further improvements could be made under each of the approval procedures in order to make them less restrictive.

● Although some measures represent a step towards further market openings for medical equipment – greater acceptance of foreign clinical test data, for example – others are relatively insignificant.

Japan calls on US to reject rice trade suit

BY CARLA RAPOPORT IN TOKYO

TOP JAPANESE politicians are in Washington this week to urge the US to reject an unfair trade practices suit brought against Japan by the US Rice Millers' Association.

Mr Clayton Yeutter, the US Trade Representative, has until Monday to decide whether to accept or reject the association's petition. If accepted, the US government will then investigate the claims and decide on whether to take action.

The Japanese Government mission, headed by Mr Tsutoma Hata, former Agriculture, Forestry and Fisheries Minister, met Mr Yeutter yesterday. Japan maintains its protected rice market is a purely domestic concern and not one the US should try to influence or change.

The Japanese spend about 10 times the market price for their rice, because of heavy government price supports to rice farmers. The country is self-sufficient in rice.

UK offers discount on export insurance

By Christian Tyler, Trade Editor

LARGE discounts on British state insurance of overseas project business in safer markets are being offered in an attempt to balance the unhealthy-looking risk portfolio of the Export Credits Guarantee Department.

The Department said yesterday that it was trying to win business from exporters who have been deterred by high insurance premiums.

Industry expects the discounts to range as high as 25 per cent on standard rates. Premiums on projects in the most risky markets, however, are to be increased, possibly up to 10 per cent.

The department said its discount offer would apply especially to exporters who chose "pure cover"—that is, those who did not avail themselves of the subsidised fixed-rate interest credit scheme that the Department operates on behalf of the UK Treasury.

Discounts, effective immediately, are for turnkey projects, large capital goods contracts, including sales of ships and aircraft insured under the Buyer Credit and Specific Guarantee facilities. Standard premiums range from £2 per £100 to £8 or more per £100.

The Department said it aimed to maintain premium income roughly at present levels, but to encourage a greater spread between the best and the most risky business.

That means trying to increase its exposure to countries graded "B" and "C" in the Department's confidential risk classification and to reduce exposure in the "D" markets.

In recent years the ECGD's exposure to "C" and "D" markets has grown from 38 per cent to 53 per cent and the parliamentary Public Accounts Committee has urged the Department to redress the balance.

The volume of new project business insured has dropped from a peak of £6.4bn in 1982-83 to under £3bn in the last financial year. The fall is due to payments difficulties in developing countries, greater international competition and the reduction of credit subsidies agreed by members of the Organisation for Economic Co-operation and Development.

Kevin Brown, Transport Correspondent, on a likely improvement in a devastated industry

Debt shakeout prompts shipping optimism

THE WORLD shipping industry, which has been in deep decline for more than a decade, could be about to turn the corner. It is early days yet, but an increasing number of shipowners and financiers are willing to go on record with forecasts of a major improvement in the market.

At first glance, it is difficult to see why a spirit of optimism should be emerging in an industry where ship finance institutions have had to accept losses estimated at $2bn in the last three years, and where estimates of losses in the next 12 months range up to $10bn.

As the shake-out in the industry sweeps east from Europe through Hong Kong towards Japan, the shipping press is full of reports of ship arrests by creditors, and complex debt restructuring negotiations, not least those involving the huge Hong Kong shipping group Wah Kwong.

Paradoxically, it is the very scale of the losses which have had to be borne by the financing institutions, and their increasingly impatient reactions, which many now hope will put the industry back on course.

The shipping recession was triggered by the 1973 oil crisis, which bankrupted famous names such as Reksten, Colocotronis and Burmah Oil Tankers, and put a huge strain on other companies, many burdened by huge debts on assets whose values fell by 50 per cent or more in a matter of months.

"Looking back, it is clear to see that the banks have not only lent over-generously, but also unwisely," Mr Michael Revell, senior vice president of the US bank Marine Midland told a seminar in Oxford last week.

Mr Revell added, however: "We are now almost at the end of what has been not only the worst shipping recession in history, but also one of the most severe to affect any international industry for many, many years."

The crucial difference from earlier forecasts of improvements is the attitude of the banks, which Mr Revell says have now got a firm grip of their ship finance portfolios. Marine Midland itself has reduced its exposure to ship finance from about $600m 18 months ago to around half that level now.

In Mr Revell's view, it will be a long time before the banks recover from the shocks of the past few years, and those that remain in ship financing will radically reappraise their lending policies.

"In fact, lending criteria are already changing," he said. "No longer is finance available for speculative new building. No longer is finance of any magnitude available for very old tonnage. Few financial institutions are now prepared to lend to the small independent ship-owner trading on the spot market — if he does not have substantial equity then he is dead."

The changed attitude of ship financiers to lending is confirmed by other bankers, including Mr Bruce Lambie, deputy managing director of Den Norske Credit Bank. Mr Lambie said optimism was increasing among both bankers and ship-owners as ship values and charter rates improved, and although overcapacity was still a problem," it would appear that we have passed through the bottom."

Mr Lambe said Den Norske Credit Bank had been "quite active" in ship financing in the past year, but in common with other banks was lending less money per vessel in proportion to the equity provided by the owner "and far less than in the early 1980s."

Henry Ansbacher, the merchant bank, also said that conditions for ship financing had become "much more stringent" and forecast that this tougher approach would continue.

"I think we are going to look much more carefully at any new building projects because we are very aware that a substantial building programme could put the industry back where it came from," an official of the bank said.

According to Mr Paul Slater, chairman of First International Capital, the immediate future for shipping looks bleak, but the industry is on the threshold of a period of real growth and opportunity.

"Buying new ships at high prices simply because the credit terms appear soft and because delayed delivery postpones the reality of current freight markets is a false economy," he said.

Greater financial stringency by lending institutions is likely to reduce orders for new ships, which would hurt the shipbuilding industry, but would help to bring supply and demand back into balance. Marine Midland estimates that around 24m tonnes of shipping is currently on order from the world's shipyards, compared with 70m tonnes 10 years ago. The level of new orders is believed to have fallen again in the first half of this year, though figures are not yet available.

This slowdown in ordering, combined with reductions in shipyard capacity, a steady rate of scrapping of old tonnage, and a reduction in the number of owners, could lead to an increase in freight rates and asset values on a scale described by Mr Revell as "a fairly dramatic recovery."

There is still a long way to go, however. Mr Harvey Romoff, chief executive of Canadian Pacific's shipping operations, said the underlying trend in the market was improving, though it was still very far from booming.

The major threat to long-term recovery identified by both ship-owners and financing institutions is a surge in orders for new ships, especially if the companies placing the orders are simply speculating on the prospects of improved freight rates.

Dutch reply in flower row

BY LAURA RAUN IN AMSTERDAM

THE DUTCH flower industry yesterday said it hoped the US would reverse a judgment by its Commerce Department that flower exports from the Netherlands and other countries were illegally subsidised.

The department ruled earlier this week that cut flowers from the Netherlands, Israel, Canada and several Latin-American countries violated US trade-subsidy regulations.

Dutch exporters have been accused of receiving illicit subsidies through cheap fuel (natural gas), hefty investment subsidies and highly efficient auction houses.

The Dutch firmly deny that their fuel, investment subsidies and marketing system amount to illegal subsidies.

The US international trade commission (ITC) must now determine whether the US flower industry has been hurt by the subsidised imports before any countervailing duties can be imposed. The commerce department is expected to issue further rulings soon on whether subsidised flower imports constitute dumping.

The Netherlands is by far the world's leader in cut-flower exports, claiming 63 per cent of the global market with sales of Fl3.61bn (£1.12bn) last year. Exports to the US surged 37 per cent to Fl258m in 1985 but have plunged by 18 per cent to Fl140m in the first eight months of this year due to the stronger Dutch Guilder.

McDonnell unveils jet

By Michael Donne, Aerospace Correspondent

McDONNELL DOUGLAS, the US aircraft manufacturer, is today rolling out a smaller version of its successful MD-80 series of twin jet airliners.

The new aircraft—the MD-87—is designed to carry up to about 130 passengers, compared with the 155 passengers of larger models in the MD-80 series.

The MD-87, due for delivery in late 1987, is aimed at airlines serving short routes. It has already been ordered by Austrian Airlines, Finnair, Scandinavian Airlines System and Toa Domestic Airlines of Japan.

Lot set for joint venture

BY CHRISTOPHER BOBINSKI IN WARSAW

LOT, the Polish state airline, appears set to be the first company in Poland to enter into a joint venture involving Western capital under new legislation passed last April.

Lot is anxious to complete work on its central Warsaw air terminal and hotel complex which was started in 1979.

The airline is waiting for foreign trade ministry agreement for a joint venture with Ilbau, an Austrian construction company, and Marriot of the US which would complete and run the hotel.

An Austrian bank has agreed credits for the project on condition that the joint venture is given official approval by the end of the year.

Lot will hold a 52 per cent stake in the venture which is worth $10m while the other two partners will hold 24 per cent each. Profits are to be divided accordingly.

Interest in the possibilities provided by the new law which aims to attract Western capital and boost Poland's hard currency earnings has so far been small both at home and in the West.

The foreign trade ministry says some 40 Polish companies are at present talking to potential Western partners.

A questionnaire sent out by the Polish chamber of commerce to its members elicited only a 10 per cent response, producing a list of some 80 companies ready to enter into a joint venture.

TECHNOLOGY

Post-Chernobyl battle for power

David Fishlock, Science Editor, reports on the state of play at Europe's fast reactor club

EUROPE'S drive to develop *fast* reactors for nuclear power is taking a heavy political buffeting in the turbulent wake of Chernobyl's explosion and fall-out. This will be the biggest problem facing Mr John Collier, chairman-designate of the UK *Atomic* Energy Authority (AEA), when he returns to the state-owned nuclear research agency next month, after a stint with the Central Electricity Generating Board. As he sees it, the political will of at least one, perhaps more, of the six partners in Europe's fast reactor club has been seriously eroded by the accident.

The European *fast* reactor club is one of the world's most ambitious co-operative technical ventures. Six governments are *pooling about £300m a* year with the objective of giving European industry a competitive commercial design of fast reactor, attractive to its electricity supply companies.

The six members are Belgium, France, West Germany, Italy, the Netherlands and the UK. The Paris-based club plans two or three Euro-reactors; big demonstrators of about 1,000 Mw output, and associated demonstration facilities to complete the fuel cycle, a crucial facet of fast-reactor economics.

Its programme is long, extending over 20-25 years, and covering the period until two years after the last of the demonstrators has reached full power. Its aim is to give the electricity companies confidence about costs, reliability, availability, licensing and, of course, safety. One stated objective is a "user-friendly" reactor, tolerant of operator error.

All this, however, will hinge *on the club's ability to over*come its political problems. First among these is the fact that the government of North Rhine Westphalia is refusing to license a DM 6.5bn prototype fast reactor, the SRN 300. The same minister who issued 14 partial permits as construction of the reactor proceeded now condemns the project as a "Hellfire."

This reactor was built as part of a major tripartite cooperation, between Germany, Belgium and the Netherlands, dating from 1966. It was this programme, the DeBeNe, which formed the basis of the larger European club.

Mr Robin Nicholson, who as secretary of the UK AEA until last month has been Britain's chief negotiator with the club, claims that despite the long programme the fast reactor is "nearer to commercial deployment than any other collaborative reactor development project so far." At the Joint European Torus (JET) project at Culham in the UK the talk is of a European fusion reactor being 40 years in the future.

The fast reactor club is backed by an inter-government memorandum of understanding (MOU), with most of its cash coming from the taxpayer. But state-owned and private companies are also participating, including the German Interatom, a Siemens subsidiary, and Belgium's Belgonucleaire. Altogether, about 20 organisations are involved. Increasingly, the *electricity* companies are expected to finance the club.

The club's rivals internationally are the US, spending about £100m a year on fast reactor research and development, and Japan. Both of these are seen as potential future club members. The USSR also has a major programme of fast reactor development, the promise of which was being stressed by Soviet delegates to the Chernobyl "post mortem." The Soviets have recently begun construction of an 800 Mw demonstrator, following two prototypes.

Europe's club is "a massive undertaking by any standards," *according to* Dr David Evans, a senior executive with the UK AEA. Britain alone is spending about £100m a year, and the fast reactor is the biggest single programme of the UK AEA.

The club aims to persuade Europe's electricity companies to pay for up to three further demonstrators, Euro 1, Euro 2 and Euro 3, in different countries. The last is envisaged as a system "ready for commercial exploitation," with a design life of 40 years and low fuel costs because of the long time its fuel can be allowed to remain in the reactor.

Dr Klaus Messer, a director of RWE, Germany's biggest electricity company, believes firmly in the stabilising influence *of co-operation.* "*If* we had not had the international collaboration, we would be changing the programme every four years."

The club already embodies over a decade's experience of two 250 Mw prototype fast reactors, Phénix at Marcoule and PFR at Dounreay. In addition the 1,200 Mw Superphénix (SPX1) at Creys-Malville came on-load early this year. The club contends that experience of these systems suggests Euro 3 should match and even better the availability and reliability of present-day reactors. Fault rates are low and recovery is quick, it claims.

Club members also take confidence from the way major engineering problems with both *prototypes* have been overcome. They now plan a lengthy programme of what they call "features testing" of major components in dedicated facilities in different countries. Potential economic gains from long life can be large—about 5 per cent off the capital cost if the guaranteed life can be increased from 35 to 40 years, they estimate.

The club did not start with a clean slate, but evolved from several decades of national effort. Apart from the 1966 SRN 300 venture, Germany and France agreed in 1976 to co-operate in the development of advanced reactors. Through prior agreements with Belgium, the Netherlands and Italy, five countries were linked loosely in fast reactor development.

The 1984 the MOU brought Britain into the club and provided an "umbrella" agreement under which a whole raft of more detailed and specific agreements covering research, *intellectual* property rights, and industrial matters have been signed by 20 participating organisations.

Research and development alone involves 10 organisations. France has just one, the Commissariat a l'Energie Atomique; Britain has two, the UK AEA and British Nuclear Fuels: Germany has five led by Karlsruhe.

This complexity of origins, coupled with national custom in engineering safety, raised difficulties for any early ideas of a common safety philosophy for the Euro demonstrators. So the club agreed that its Euro reactors will be designed to the safety requirements of the host nation, with a common safety design evolving as the programme proceeds.

Mr John Collier, chairman-designate of the UK Atomic Energy Authority: He will face strong anti-fast reactor pressure from politicians.

The club's central objective is a fast reactor competitive in costs with present-day (thermal) reactors. But this target differs from country to country. France has the toughest target to meet because it has virtually been "mass-producing" pressurised water reactors (PWRs). Current estimates suggest the fast reactor in France is now about 50 per cent more expensive than a PWR.

For Germany the PWR is also the yardstick but it has built fewer, more costly units than France. It claims the cost of its latest fast reactor design, SRN2—which could become Euro 1—will be very close to contemporary PWRs.

Britain's yardstick is the advanced gas-cooled reactor (AGR). The UK AEA claims that its latest ideas on design and from fuel cycle demonstrations suggest its Euro demonstrator will be almost competitive with AGR costs. But the Central Electricity Generating Board believes that AGR costs are 10-20 per cent higher than PWR costs.

Much of the progress for the rest of the century could come from a better understanding of the limits of performance in every part of a very complex nuclear engine and from the growing confidence of the designer for shedding redundant material and systems—just as aircraft designers learn with experience when they can leave out one, even two engines.

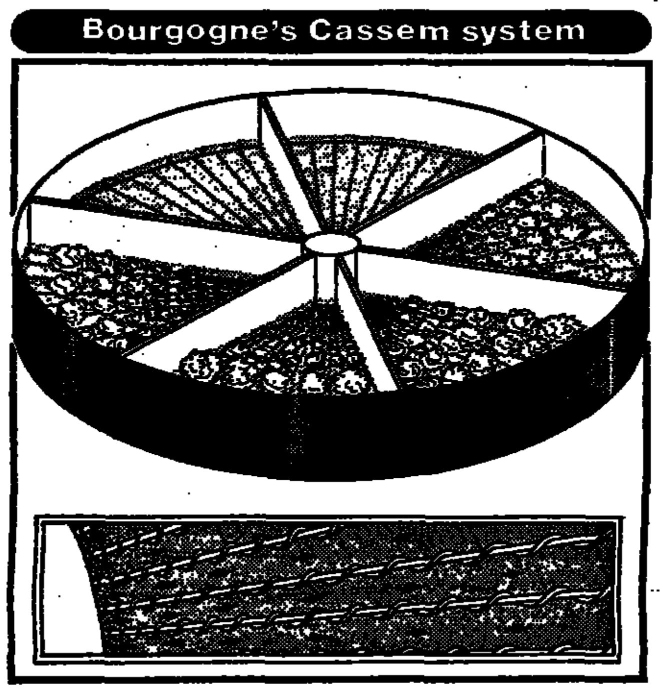
Earlier this year the House of Lords select committee on the European Communities, investigating nuclear power in Europe, came to the conclusion that where and when Euro 1 is to be built "should be settled quickly to prevent this question jeopardising the entire collaborative programme." It found that commercial fast reactors will almost certainly be needed "for reasons of safety and fuel cycle efficiency."

It was told by one expert witness that by the time they are ready, they will probably be the safest type of reactor available, by virtue of such features as their low pressure and large heat sink of molten metal coolant.

Opposition during the peer's hearing focused on cost and need, and the fact that fast reactors make plutonium more readily than thermal reactors.

The computing technology page by Alan Cane will appear tomorrow

Bourgogne's Cassem system



How French screw can save greenhouse space

GREENHOUSE SPACE could be much better utilised, allowing perhaps 10 times as much food to be grown at much lower cost, according to French inventor Pierre Bourgogne.

Conventionally, when seeds for vegetables like lettuces or cabbages are planted, large spaces have to be left between them to allow for growth to full size. The alternative is to replant at intervals, which is labour intensive and loses a proportion of the plants.

Bourgogne's idea is to use circular growing containers 120 ft across, and filled with a nutrient solution. Underneath is a steel network like a giant spoked wheel laid flat. The spokes are, however, elongated screws with the thread compressed near the hub, and gradually unwinding into a looser spiral towards the rim.

Seeds are sown, from a hopper at the hub, into cartons which move out towards the rim very slowly as the screws turn. The distance between the cartons is therefore increased progressively. At first the plants move about an inch a day, but by the time they are harvested their speed can be an inch an hour. Journey time to the rim is about two months. Artificial light and heat are used so vegetables can be grown all year round.

Mr Bourgogne's scheme, called Cassem, is being *officially* backed in France. His address is 2bis, rue des Ponchettes, 5 Quai des Etats Unis, F-06300, Nice.

DREXLER TECHNOLOGY Corporation has sold a licence for the use of its LaserCard to Pesch and Company, a *fellow US group which has* interests on the country's health care market.

The LaserCard uses optical recording on a credit card-sized piece of plastic able to store about 800 pages of conventional text. Drexler has already licensed the card to Blue Cross, the big US medical insurance group, where the idea is to record a complete medical record on an individual's card. In an ambulance or hospital, the card can be plugged in to a reader to reveal the patient's medical history.

Pesch plans to test market the LaserCard in several of its health care facilities in the ext few months. To date, Drexler has signed 24 other licensing agreements *with* such corporations as Toshiba, Canon, Honeywell, Matsushita, Olympus, Olivetti and Hitachi, but few developments have yet been announced by these companies.

MAP ADVISORY Centre for Europe (MACE), part of Systems Dynamics of Rickmansworth, Hertfordshire UK, has published a directory of products conforming to the General Motors manufacturing automation protocol (MAP) specifications.

Compiled by contacting 400 equipment makers around the world, the directory contains 287 MAP-conforming products, from 97 suppliers, and costs £360. It is a complimentary publication to a technical guide called "OSI, MAP and TOP" from the same company. A further report, "Implementing MAP," will be published soon. More on 09278 5466.

WORTH WATCHING

Edited by Geoff Charlish

ELECTRONIC PUBLISHING designed by Intergraph, the US-based computer-aided design company, has gone into action at British Rail Engineering (BRE) in Derby.

The system will be used for producing instruction manuals and illustrated lists of parts for railway rolling stock. This is Intergraph's first delivery of a publishing system in the UK, although BRE has already used the company's screen and keyboard systems to design its new International Coach.

The software supplied includes word processing and some programs that allow *merging of text* and graphics and the origination of technical illustrations.

THE COMPUTER-AIDED engineering (CAE) market is suffering from its longest cyclical depression to date, according to UK brokers Henry Cooke Lumsden (HCL).

CAE is an enhancement of computer-aided design (CAD) in which the CAD database of dimensional data interacts with other design and materials information to allow the engineering characteristics of a product to be assessed and varied on-screen.

HCL says that all previous slumps have lasted for about 18 months, whereas the current period has run 30 months —longer than the immediately preceding period of prosperity.

Kenneth Gooding puts the bid for Alfa Romeo in context

Ford pursues goal of a worldwide 'family'

IN THE past year Ford, second-largest of the world's motor groups, has attempted to enlarge extensively its West European operations.

It first talked about a merger with Fiat of Italy. Then it thought briefly about taking over state-owned Austin Rover in the UK. Now it is heavily involved in discussions with the Italian government about the Alfa Romeo car business.

Mr Harold "Red" Poling, Ford's president, says this does not mean his company feels it urgently needs to merge with another group or to buy another company in Europe.

He points out Ford made good progress in Europe in 1985, indicated by profits which doubled to $326m. "We're improving on that this year and looking for next year to be better."

Mr Poling gives every indication of wanting the Alfa Romeo deal to be concluded successfully; the Italian company has the attraction of a good name and has some fine engineers, he says.

But "an association with another company is not essential for Ford's continued success in Europe. You always want to look at opportunities for building on your strength, that is really what we have in mind."

Ford has made firm proposals for Alfa Romeo, which would lead to the US group eventually taking control. IRI-Finmeccanica, the Italian state holding company, has promised to respond by November 7.

If the Alfa Romeo deal goes ahead, it would almost certainly rule out Ford as a potential partner for Austin Rover, should the new management team and the UK government —which withdrew earlier this year after coming under intense nationalistic pressure — decide to offer the company for sale after all.

Mr Poling points out: "It is simply a matter of resources. We would not want to over-extend ourselves. We would want to make sure we were successful with Alfa and accomplished the objectives we set ourselves."

In April Ford changed its management team in Europe. Mr Kenneth Whipple, previously executive vice-president responsible for corporate strategy, took over as chairman of Ford of Europe from Mr Bob Lutz. Mr Lutz, apparently demoted, soon left Ford for Chrysler, third-largest of the US motor groups.

Mr Derek Baron, another strategist, was brought in from the Brazilian subsidiary to become chairman of Ford of Britain.

The two newcomers are expected to bring a more analytical approach to Ford's European business — and are also seen very much as "Mr Poling's men."

Mr Poling avoids answering suggestions that he has tightened his grip on Ford of Europe now that Mr Lutz has gone and that the European operations are being controlled more closely from the Dearborn headquarters in the US. "The team over there is well settled in and functioning smoothly," is his only comment.

As to whether Ford might consider more joint ventures in Europe, Mr Poling says that, while it makes a great deal of sense for two or three car makers to join forces to produce components such as engines which need high volume (500,000 a year) to justify the investment, it is more likely that Ford will keep co-operation within the family—between its subsidiaries in North America, South America, Europe and Mazda, its Japanese associate.

Ford is already significantly strengthening its relationship with Mazda, the Japanese group in which it acquired a 25 per cent shareholding seven years ago.

The relationship really blossomed after Ford was removed from the Arab boycott list last year. Before then Mazda was worried lest its profitable Middle East sales might suffer if it moved too close to the US group.

For example, Ford will buy half the output of the factory Mazda is building at Flat Rock,

Mr Harold Poling: "simply a matter of resources"

Michigan, with the capacity to assemble up to 300,000 cars a year.

Flat Rock will contribute to 2.3m of new annual car production capacity Japanese companies will transplant to the US by the early 1990s, a phenomenon which will threaten existing factories.

Mr Poling admits Ford will be giving the Mazda project a great deal of help by taking half the output, but he insists th US group has no alternative. "There will be competition in this country from low-cost producers and if we are unsuccessful in being able to compete in all segments of the market with US-built vehicles, then we must find a way of competing with imports.

"So far the import total is relatively small and in a part of the market where we have not been participating before. I would like to think that is the way it will continue to be and that the high-volume production will continue to be produced in the US."

Ford revolutionised its prospects in the Asia-Pacific region by handing over production of cars for its dealer networks in the area to Mazda's low-cost Japanese plants. Mazda also provides components for a new Ford car assembly plant in Mexico which will export a substantial proportion of its output to the US.

The two companies are also involved in a co-operative venture with Kia in South Korea which will produce mini cars for Ford's North American outlets from the spring of 1987.

Ford recently paid $30m for a 10 per cent shareholding in Kia "to signify we think this is to be a long-term relationship—and to get a share of the manufacturing profits."

He suggested Taiwan is another location that will be strategically important in the global car industry of the future. Ford has its own subsidiary in Taiwan and "we have a very good, well-educated, highly motivated, high-quality workforce in that country. They have many of the same benefits as Korea. And they need an export programme."

Ford has not given up the idea of building small cars in the US and is trying to address the situation with its so-called Alpha programme which involves a completely different approach to designing, developing, building and distributing cars.

*Mr Poling says it is very diffi*cult for Ford to put an investject figure on the Alpha projevt because the people involved do not spend all their time on the programme. He suggests it would also be unwise to allocate a budget to the project.

Neither does Ford intend to follow General Motors' recent example and quit the heavy truck business in the US, says Mr Poling.

He points out that Ford has increased its penetration of the US Class 8 (heavy truck) market each year for the past three years and that it has efficient production facilities even if it has not been able to escape the industry's problems of excess capacity and severe competition.

Ford is also tackling the problems caused by the difficult economic problems in South America. It has started discussions with Volkswagen about co-operation in Brazil. The two companies have looked at forward product plans and Mr Poling believes they could get much better use out of their Brazilian facilities if they pooled resources.

Could the association be spread to other countries, such as Argentina? "I think we would need to finish our discussions about Brazil and then see what other potential there is."

Ford has made good progress towards cutting costs in Argentina and Venezuela and has successfully introduced versions of the Sierra in those countries.

Last December, Ford introduced in North America its new Ford Taurus and Mercury Sable mid-sized models after a five-year, $3bn investment programme—the company's biggest-ever.

The new models have been very well received but Ford will not be able to rest on its laurels. Annual capital expenditure will be a little higher than the $3.7bn for 1985 during the next five years.

Mr Poling says Ford will *remain heavily reliant on cars* and trucks

However, Ford will continue to broaden its earnings base by building up its interests in electronics, financial services and particularly aerospace where it is looking for acquisitions.

BAe asks for state funding on Airbus venture

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE, the aircraft, missiles and space manufacturing group, has asked the Government for cash to participate in the manufacture of the next generation of European Airbuses the A-330 and A-340.

Details of the request were not disclosed but it is believed to be between £500m and £700m or at least 90 per cent of what BAe believes that its share of developing the wings for the two new aircraft will involve.

BAe has always said it would seek Government support for the new ventures at the same levels that the French and West German Governments give to the A-330/A-340 programme.

Those two governments are believed to be giving up to 90 per cent to launch Aerospatiale and Deutsche Airbus, the French and West German partners in the Airbus programme.

BAe accepts, however, that there could be a considerable difference between what it seeks and what it eventually gets after what is likely to be a long period of delicate negotiations.

The Government, it is believed feels that part of the cash – and probably a substantial part – should be found by BAe from its own resources or through borrowing.

It argues that BAe should have no difficulty raising the cash if it is convinced of the worldwide success of the venture.

BAe said, however, that its own resources were heavily committed to other civil programmes. These were the Advanced Turbo-Prop and Type 146 four-engined regional jet airliner and new developments of the Type 125 executive jet. It also had to find its share of cash for the work on the wings of existing Airbus A-300s, A-310s and A-320s.

Without substantial Government support, BAe would be forced to withdraw from the A-330/A-340 ventures to the detriment of the UK civil aerospace industry.

There were some other difficulties. The Department of Trade and Industry was not convinced that both the two new Airbus ventures were necessary. While it felt there may be a market for the A-330 – a twin-engined short-to-medium range aircraft for routes with high traffic loads – it was much less convinced of the need for the A-340, designed for very long ranges with lower traffic loads that prevent the use of bigger Jumbo jets.

This view is shared by British Airways, which would like to see the A-330 developed for use on its short-range European routes but which is not interested in the A-340. BA would prefer to see the McDonnell Douglas MD-11 developed, believing it to be a better aircraft than the A-340.

BA has studied the MD-11 as a replacement for its aging Lockheed TriStars. Once BA is privatised it might well place an order for MD-11s.

This would be a severe blow to Airbus Industrie, which would like to see all the leading airlines of its member countries buying its products to promote further sales elsewhere.

But once BA is privatised, it will be able to ignore both Government and trade union pressures.

Hyundai to double sales target in Britain

By Kenneth Gooding, Motor Industry Correspondent

HYUNDAI MOTORS, South Korea's leading car producer, intends to more than double its UK sales in the next two years, according to Mr Chung Se Yung, the president.

The sales target for this year is 9,000, up from 5,159 in 1985, rising to 15,000 next year and 20,000 in 1988. The privately owned UK importer, part of the International Motors group of West Bromwich, wants to increase the number of dealers to cope with the forecast rise in sales, from 170 at present to 200 "as soon as possible" and eventually 250.

Hyundai cars have been on the UK market only since February 1982 and Mr Chung said, during a visit to the Birmingham Motor Show, "the potential is huge."

His confidence springs from Hyundai's success in North America. In Canada it has become the best-selling imported make, partly because of the restrictions imposed on the Japanese, and in its first year in the US sales will reach 100,000.

Mr Chung said his company would produce about 400,000 cars and light commercial vehicles this year and had the capacity to make 500,000.

● Volkswagen-Audi of West Germany has sent what it claims is its most powerful purchasing delegation yet to the Birmingham show. Its brief is to double the value of components bought from Britain in the next two to four years.

The company last year bought components from the UK worth more than £50m, only about 10 per cent of the value of VW-Audi vehicles exported to Britain.

COOL RESPONSE TO TRANSFERABLE ALLOWANCES PROPOSAL

Plan for tax overhaul criticised

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE Government's ambitious plan to overhaul the income tax system after the next general election has won far from enthusiastic public support, despite a six-month publicity campaign by the Treasury.

Only two or three hundred individuals and a handful of small pressure groups have voiced support during the consultation period which followed publication of the proposals in a Green Paper (discussion document) at the time of the March budget. In contrast a number of national professional associations and pressure groups have come out strongly against the Government's plan.

The proposals involved the scrapping of the married man's income tax allowance and its replacement with a system of equal allowances which would be transferable between married partners. The new system, which could be introduced in the early 1990s when the Inland Revenue is fully computerised, would cost the Government around £5bn in lost revenue.

It is strongly backed by Mr Nigel Lawson, the Chancellor of the Exchequer, who said at the time of the budget that single transferable allowances would restore independence and privacy to married women in tax matters. Treasury ministers sought to drum up support for the plan in a series of speeches during the consultation period.

The Treasury has been embarrassed, however, by the admission in a previous Green Paper on the same subject, published in 1980, that transferable allowances would create a bias in the tax system which would discourage women from seeking paid employment.

Ministers are privately acknowledging that the response to the Green Paper has been far less encouraging than they had hoped. When the official consultation period closed at the beginning of this month there had been only around 400 responses. The overwhelming majority were from individuals and Whitehall officials say that of these most were in favour of the reform.

Nigel Lawson: strongly backs plans

Of professional organisations and pressure groups expressing views, the weight of opinion appears to have been firmly against the new plans. Among those opposed were the Institute for Fiscal Studies, the Chartered Association of Certified Accountants, the Equal Opportunities Commission and the Child Poverty Action Group.

Much of the criticism has centred on the argument that the new system would discourage women from taking up paid employment and that it would be unfair because it would imply a sizeable tax cut for affluent married couples at the expense of poorer families and individuals.

Along with the European Community Commission, those opposed have generally suggested that the best way to free married women from their present dependency on their husbands in tax matters would be through the introduction of a standard non-transferable allowance for everyone, regardless of marital status.

The Government's plans, however, have won support from a number of small groups including the Order of Christian Unity, the Conservative Political Centre, the National Board of Catholic Women and the Taxpayers' Society.

Waring & Gillow plans market comeback

BY CLAY HARRIS

WARING & GILLOW, the furniture and carpet retailer, has set course for a return to the stock market with the private placement of £44.7m in shares, 89 per cent of the recapitalised group which has shortened its name to Gillow as part of a major refurbishment programme.

The placing followed the disposal by S. & W. Berisford, the sugar processor and commodity trader, of its 83 per cent stake acquired as part of a consortium buy-out of the formerly listed company for £24.5m in May last year. Berisford received £24.1m for its interest, and the placing raised an additional £18.7m in new capital net of expenses.

Gillow's management team, led by Mr Cyril Spencer, former executive chairman of the Burton Group, reduced its total holding from 17 per cent to 11 per cent of the equity in the recapitalisation. Rothschilds and Panmure Gordon placed 2.87m ordinary shares and 13.35m convertible preference shares.

Each ordinary share was priced at £11.75 and sold with five convertible preference shares for a total price per unit of £16.75.

The placing values Gillow at more than £60m, double the takeover price 18 months ago. Each 14 preference shares will be convertible into one ordinary share when the company is re-floated. Mr Spencer said last night that Gillow was aiming for flotation within two years, perhaps within one year, depending on the political outlook.

Gillow also said yesterday that it had returned to profit in the year to September, from a loss in the 18 months to September 1985. Sales were maintained at an annual rate of about £100m, despite sales or closure of stores wiht sales of about £8m. The company now has 78 UK stores

All of the company's stores will trade under the Gillow name, except for six Maples stores, the flagship in Tottenham Court Road, London, and five in Belgium and France.

Gillow is revamping its stores, including nine in the US, into "total home furnishing stores" positioned at the upper end of the volume market, Mr Spencer said. The group would aim to satisfy what it had identified as customers' "Dynasty aspiration."

The first store to be refurbished, in Wolverhampton, West Midlands has increased sales by 50 per cent over the previous year since work was completed in July. Mr Spencer expected the next tranche, representing 30 per cent of UK selling space, to account for 60 per cent of turnover. The entire refurbishment programme is expected to take two years and cost £7m.

Forecasters expect worsening trade outlook

By Our Economics Correspondent

MOST INDEPENDENT economic forecasters anticipate only a small increase in the pace of growth of Britain's output next year and they expect higher inflation and a worsening trade position.

An analysis published by the Treasury of the latest projections of Britain's leading forecasting groups, shows that on average they expect the economy to expand by 2.8 per cent next year after growth of 2.3 per cent in 1986.

Inflation, which is projected to run at an annual rate of just under 3 per cent in the final three months of 1986, is expected to climb to 4.5 per cent in the same period of 1987.

The forecasters also expect the collapse of the oil price to result in a serious deterioration of Britain's trade performance, despite the improved competitiveness of British industry which has resulted from sterling's depreciation.

On average they expect a surplus of £0.8bn on the current account of the balance of payments in 1986 to be translated into a deficit of £2.3bn next year.

Forecasters covered by the analysis include the National Institute of Economic and Social Research, the London Business School, the Organisation for Economic Co-operation and Development, and some City of London economists.

The Treasury itself last published a full economic forecast in March at the time of the budget and the averages do not include its projections. The next Treasury forecast will be published as part of the Autumn Statement on public spending next month.

Mr Nigel Lawson, Chancellor of the Exchequer, however, has indicated in recent speeches that he is more optimistic that most outside forecasters on both growth, inflation and the current account.

The Treasury believes that there will be a strong rebound in economic growth next year as a result of more buoyant world activity and the strong increase in incomes resulting from lower oil prices.

Mr Lawson has also suggested that the underlying inflation rate should remain at just over 3 per cent for the next few months, perhaps rising fractionally next year. In the medium term, stronger non-oil exports should make up for the greater part of the overseas revenue lost through lower oil prices.

The independent forecasters are also predicting a sizable rise in the level of public borrowing in the 1987-88 financial year beginning next April. That reflects lower tax revenues from the North Sea and the widely held view that the Government will want to introduce sizable tax cuts ahead of the next general election.

The comparisons are available (price £50 for 12 monthly issues) from Committee Section, HM Treasury, Parliament Street, London SW1P 3AG.

Pay deal backing at Jaguar

By Arthur Smith, Midlands Correspondent

JAGUAR CARS has won union backing for a two-year wage deal which will increase the basic weekly pay of many workers by more than 20 per cent.

The company made a significant increase in its cash offer in order to head off growing militancy among the 8,000 manual workers. Jaguar is offering an across-the-board rise of £9.50 a week in the first year and £10 in the second. The move will go some way to meeting union demands for a compression of differentials in the five-grade pay structure. For the average assembly worker it will mean a rise of around 6.5 per cent in each of the two years.

In addition, some £3.75 of the productivity-related bonus scheme will be consolidated into basic pay in the first year and £5 in the second. For a worker on the bottom of the pay scale it will mean a rise from just under £122 to more than £150 by November next year. The significant jump in the money on offer to get rapid agreement from union negotiators is clearly intended to smooth the productivity changes that will be necessary to increase output of the recently launched XJ6 model.

Arguments over the role of industrial engineers, traditionally known as the time-and-motion men, precipitated a strike by 800 assembly workers last week and brought all saloon car production to a standstill for two days.

The company has made clear it must realise the productivity benefits engineered into the new car which is the result of a £200m six-year development programme. Output is at present running at around 150 cars a week and must be raised to 900 over the next 12 months. The key negotiations with individual workers over the time and effort they put into operations will take place over the next few weeks.

Lift truck industry links paranoia with failure to rationalise

Nick Garnet reports on the background to the Coventry Climax collapse

MANAGERS IN THE UK lift truck industry were on the edge of their seats earlier this month when news trickled through that Coventry Climax had been put in the hands of the receivers.

A huge number of companies have now expressed an interest in acquiring part or all of the Birmingham-based business, according to the Price Waterhouse receivership team.

In an industy that across Europe has failed to rationalise significantly, and where in the UK overcapacity runs hand in hand with paranoia about the Japanese, the prospect of a manufacturing site coming on the market with a built-in, extensive and profitable distribution service grabbed almost everyone's attention.

If Coventry Climax disappeared completely that would give the market some elbow room. That market would be further unsettled however if one British manufacturer scooped up Coventry Climax's distribution business or if one of the big and predatory Japanese producers, under pressure from the high value of the yen plumped for Coventry Climax as a manufacturing base. Most people believe, though, that the site is too large and the equipment too obsolete to attract the Japanese.

Unprecedented interest in the company, brought to its knees by a large debt burden and a slide in its market share this year, has been the result.

The UK market accounted for the sale of 17,000 lift trucks in 1979, excluding some specialist warehousing and hand pallet vehicles.

That market shrank by a half during the first two years of recession and although picking up steadily to an expected level of around 12,000 sales this year, overcapacity is still entrenched.

Across Europe, in which the UK is a leading producer alongside West Germany, that overcapacity runs at about 30 per cent.

In spite of this, lift truck makers have demonstrated a remarkable resilience. Many of them continue to make money and the resistance to rationalisation has been strong. Europe still has a half of the world's 30 largest list truck makers.

A few years ago there was a flurry of activity when the big West German producer Linde, which had already purchased the German company Still, acquired Fenwick in France; Lancing of the UK bought Saxby of France, and Lancer Boss, a Lansing competitor in Britain, took over Steinbok.

Since then, there has been virtually no change in the structure of the industry, although there is a gradual trend towards specialist equipment and warehousing systems which have helped companies like Jungheinrich and Rolatruc.

In the UK the biggest producer, Lansing, which also has a large manufacturing site in West Germany, announced this month a £14m, four-year modernisation programme at its Basingstoke site, 50 miles west of London, to improve efficency in this highly competitive market.

Ironically, Lansing is part of the Kaye Organisation whose chairman, Sir Emmanuel Kaye, took a controlling interest in Coventry Climax when it was bought from BL four years ago. There have been rumours that Sir Emmanuel would like to repurchase from the receivers part of the Coventry Climax business.

The receivers, through, appeared to be faced with a series of possible options, including hiving off the military vehicle engine business, selling the distribution operation separately or, if they can find a buyer, offloading the lift truck interests of Coventry Climax as a going concern. The receivers appear to favour the latter, although Lansing is one company that looked at the site earlier this year and decided it was not a viable proposition as a going concern.

Apart from the sheer overcrowding in the market, some specialist companies have also been concerned at how difficult it can be making money out of putting together complicatd warehousing packages which at their most sophisticated involve automated guided vehicles.

Some companies like Hyster at its Irvine plant in the west of Scotland, have also found it more difficult to adjust to new manufacturing systems they have recently installed.

It is the Japanese, though, who are the most constant source of anxiety. Toyota, Nissan and Komatsu, together with the smaller Japanese producers account for about 20 per cent of those European markets where there is a large domestic lift truck industry and up to 40 per cent where there is not. They are especially strong in diesel engine powered vehicles, with much poorer penetration among electric vehicles.

The UK is a distinctive market because of the relatively high percentage of trucks which are leased out on contract, a feature almost unknown in the rest of Europe.

Harvey Plant, which claims to be the biggest contract hirer, says 15 per cent of the 150,000 lift trucks in use in Britain are on contract. That has given the no-frills, low-cost Japanese makers an extra advantage. A larger number of Japanese-made lift trucks are also sold in the grey market – made up of trucks not imported through recognised dealers and sold at even larger discounts.

The Japanese have also had a series of marketing or manufacturing agreements where they supply some of the heavier items like chassis. These arrangements have included those between Manitou and Toyota in France, Coventry Climax itself with NYK and both Lancer Boss and Yale have had manufacturing relationships with the Japanese. Caterpillar, which has been expanding output for its UK site at Desford in the east Midlands, imports from Daiwoo of Korea.

However, the Japanese makers have been suffering from the rising yen, despite the high discounts they are still offering. Even before the high value of the yen became a factor, Nissan attempted to purchase Saxby in 1984.

FOCUS ON COMMERCE AND INDUSTRY IN SOUTHERN AFRICA

Blacks to play more meaningful role in mining industry

Gavin Relly, chairman of Anglo American Corporation, talks to John Spira, Finance Editor of the Johannesburg Sunday Star.

Spira: As South Africa's largest mining group, Anglo American has derived considerable benefits from the boom conditions of the past couple of years — albeit that the boom was largely currency-induced. This phenomenon is bound to have occasioned changes in the industry. How has Anglo handled these changes and what impact are they likely to have on the industry's future?

Relly: It's worth bearing in mind that in 1981, Anglo's profits were more than $1 billion. In 1986 our profits were an all-time record of R1.3 billion — less than half a billion dollars. That's the measure of our progress in international currency terms, which is rather a dreadful reflection on what's happened to the economy of South Africa.

Of course, the decline in the rand has given a great fillip to the mining industry in South Africa and we've gone as far as we can to develop our gold and coal mining activities. Anglo has produced around 260 tons of gold in the past year and our plans are effectively laid for mining in many areas in the next 30 to 40 years. It's a very long term business. We know what we're going to do and we're now able to establish the foundation for that development because it'll be more a case of holding gold production than necessarily being able to expand it in the future.

We're very active in the field of exploration, which comprises two elements. The first — exemplified by the amalgamation of the Free State mines — is the process of making certain that all available ore reserves are most efficiently exploited. The second comprises drilling in areas that haven't been mined before. All these are involving the mining industry in a great deal of expenditure.

Spira: Is the industry well pleased with the results?

Relly: If you can't control the price of the product you sell nor the value of your currency, you have very little say in the outcome. By and large, however, the industry has handled the circumstances pretty well.

Spira: Labour unrest on the mines has been a feature of the industry in recent times. How are you coping with this problem?

Relly: The great challenge facing us is to ensure that we bring about a credible black cross-section in our mining activities. Now that the Mines and Works Act has changed* and we are free to develop proper promotional systems for our black leaders, we can start to make effective inroads into the problem of getting black people to play a meaningful role in the mining industry.

That'll be supported by graduates starting to come slowly out of the universities in technical engineering areas and supported by our own training. So we ought to be making some real inroads from here on out. But it'll be slow. It probably takes 18 years for a mining man of any colour to become a mine manager. Consequently, if you haven't got anybody on the first rungs of the ladder yet in the official heirarchy, it'll be a long time, no doubt, before we have a black manager — too long.

But the mechanisms can now start to operate.

We've had to come to grips — and we've done it willingly — with the involvement of trade unionism in the mines. However difficult this process of unionisation may be, it's absolutely essential to the future that we develop into this with the best goodwill and the best hopes we can. We'd far rather see a responsible and effective trades union system with which we can deal than a leaderless mob with whom we can have no-one to talk.

It's difficult to say how this is going, but it's certainly been a steep learning curve for management, as it has been for the unions. All things considered — and particularly since we've only been going at it since 1979 — we're making strides towards a sensible modi vivendi.

Spira: There have, of course, been confrontations in the past.

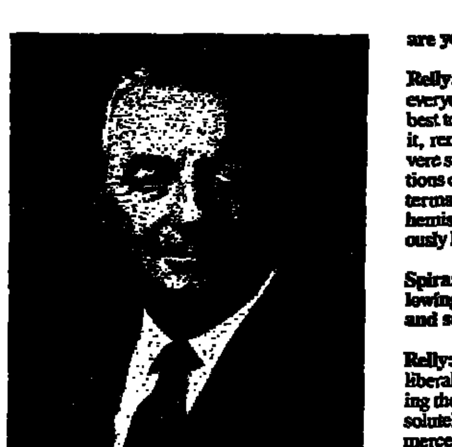
Relly: Yes indeed, They're part of the learning curve; and to be expected. When we've had these dreadful fallouts — as at Vaal Reefs last year, when many thousands were sent home — they simply put a stop to situations which were bound to have got out of hand. That sort of thing is bound to happen. I don't feel it's a great blot on the landscape but part of the learning process. I hope these incidents won't happen again, although I think that they may.

Bear in mind that there are political overlays which impinge on the industrial process. It would be wrong perhaps to prejudge the situation and say that possibly the political overlays haven't been as severe as one might have expected in the light of there being no formal parallel political development. Nevertheless, it probably is so.

Spira: How does the migrant labour question fit into what we've been discussing?

Relly: The migrant labour situation makes things more difficult from the unions' point of view. To have a permanently resident workforce would make their life easier.

As you know, we're moving towards a far greater degree of on-site mining housing in line with a greater level of sophistication in the nature of our underground operations. Now that we have the open sesame for proper promotion routes for blacks, this will also necessitate that they live with their families on and around the mines.



Gavin Relly

These factors, taken together with the more liberal application of the migrant labour system, suggest that, with time, far more people will be living on the mines than there are now.

Spira: We've seen much comment along the lines that should sanctions be applied, many mine workers who are nationals of neighbouring states would be sent back home. In such an event would the mines suffer?

Relly: In the last resort, I shouldn't think it would lead to much disruption, although it would undoubtedly create problems, because certain people who aren't South Africans do serve extremely well in jobs for which, traditionally, they have shown a penchant. But I don't believe we're likely to be faced with such a problem unless sanctions have an appalling effect, which I don't think they will — not if the world is sensible.

Spira: How have Anglo's non-mining interests fared during the economic downturn and what are the near term prospects?

Relly: Some fared very badly. We were probably slow to take those difficult management steps of lightening our work forces, of controlling our cash positions and many were caught out by the slide in the rand. Very few South African companies weren't caught out by the currency downturn, which resulted in many cases in major losses.

But by now most major companies have got their act together.

Many of the industries supplying the local market are still running below full capacity. But the weakness of the rand has made it possible for many businesses to get into the export markets.

Accordingly, the general effect on industry is one of the things starting to turn up. AMIC, of course, increased its interim profits by 50%, though from a very low base.

Overall, the potential looks better than it has for three years.

Spira: Anglo's high profile as a major force in the South African economy, along with its heavy reliance on exports and imports, render the group a prime target for international boycott and sanctions action. How are you coping and how will you cope?

Relly: To start with, there can be no doubt that everyone in business in South Africa will do his best to break sanctions. As to how we shall do it, remains to be seen. It depends on how severe sanctions are. There's no doubt that sanctions could cause difficulties for the country in terms of steel and coal and if the northern hemisphere cuts off these products, we'll obviously have difficulty in replacing those markets.

Spira: In your view, is the government following economic policies conducive to strong and sustained growth in South Africa?

Relly: I think our general policy of trying to liberalise the control of the economy by allowing the marketplace to play a bigger role is absolutely right. It has the full support of commerce and industry.

But when you get severe strains on the economy (such as the current inability to roll over our short term borrowings), you get external forces impinging on the marketplace, in which event circumstances may call for a somewhat tighter control on these affairs than anyone would like.

Any central authority's ability to call the shots freely is, in South Africa's case, being circumscribed by the artificial banking position which we have.

Spira: Are you not acutely concerned over the country's high rate of inflation and especially the adverse effects this is having on the cost structure of the mining industry?

Relly: Yes. I suppose the ultimate choice of countries which are in control of their own affairs is between high inflation or unemployment. Regrettably, in South Africa we have both at the moment — an indication of an artificiality in the whole situation.

It'll be overcome in due course by a liberalisation of the economy in the sense of removing the inhibitions on our black people and allowing them to get on with doing their own thing.

It's an observation which applies right across the whole spectrum of their choices as to where they want to live, how they live, whether they own the properties in which they live, allowing them to go into business without yards of red tape — all these will have a favourable impact on the cost of living and the problem of unemployment.

The whole economy has been a centrally-controlled one for a long time and this has undoubtedly suppressed free enterprise.

I am very hopeful that the government's liberalisation moves will continue and would be very surprised if they do not.

Spira: You have personally been active in opposing sanctions and disinvestment. What has been your motivation in so doing?

Relly: Simply that reform is an extremely expensive process — particularly when it's done against the background of an increasing population. Some 50% of our people in this country are under 20 years' old. So to conduct a modernisation programme which is going to involve bringing those people into an urban industrial society on credible terms would be a daunting job, even if we didn't have the problem of politics in the background.

That process is going to be extremely demanding in terms of a re-allocation of resources — housing, health, welfare, roads, infrastructure — that it's not going to be possible in the climate of a declining economy.

Any reform process involves the haves standing still in terms of where they are — at best. In a declining economy, in order to meet the demands of the have-nots, you've probably got to diminish the part of the economy which the haves have. That may be politically impossible while maintaining an even keel.

So when I oppose sanctions and boycotts and all this other hysteria, I do it on the grounds that reform may be prevented. It may even result (at worst) in revolution. But then, I expect, there are a number of people who would like that anyway.

*At the time of writing it was expected that the Act would be amended during the last session of Parliament in 1986. However, this did not occur and it is hoped that this will now take place during the 1987 Parliamentary session.

UK NEWS

Software profits forecast 'hit by defence delays'

BY DAVID THOMAS

SYSTEMS DESIGNERS, a leading UK computer software company, yesterday blamed delays caused by the Ministry of Defence's new system of competitive tendering when it announced sharply reduced profit forecasts for 1986.

The company is now forecasting profits for 1986 "not below £4m." It had been hoping for nearly £9m when it announced half-year profits of £3.3m in August.

"The announcement took the City of London by surprise and analysts said that the company's problems should have been apparent when it announced its half-year results. The share price closed 26p down at 50p.

Mr Philip Swinstead, chairman of Systems Designers, said the company had outstanding bids for 215 contracts worth £85m from the Ministry of Defence. This was double the number at the same time last year.

The company had been expecting decisions on many of these contracts in the autumn, but it now believed decisions would not be made until early next year. The Ministry of Defence said last night that some contracts took longer to award since more companies were now competing for them. But it added: "Companies that we deal with are very well aware that evaulation process are lengthy."

Systems Designers' announcement comes at a sensitive time for the UK software industry. Both Logica and CAP, the two other quoted UK software companies, yesterday denied they were having problems with Ministry of Defence work, although their share prices eased slightly.

In June, the Advisory Council for Applied Research and Development, a Cabinet Office body, published a report which was scathing about what it said was the industry's failure to compete vigorously in world markets.

It gave a warning that on the most pessimistic projections "within years only Ministry of Defence-supported firms will remain."

Systems Designers gave the alleaed problems with defence contracts as one of four main reasons for its reduced profit forecasts. The others were high investment in and slow sales of its products using Ada, the software language chosen by the US Department of Defencet the effort needed to launch its new dealer information systems in the financial sector; and the fluctuating dollar/sterling exchange rate.

Mr Swinstead said the company had countered these problems by halting all recruitment, switching staff from defence to other work, cutting its research budget and strengthening its management team.

Credit growth 'clouds monetary policy'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

RAPID innovation and increased competition in Britain's financial markets and its impact on the other sectors of the economy has seriously clouded the relationship between the growth of the money supply and the pace of inflation, Mr Robin Leigh Pemberton, the Governor of the Bank of England, said yesterday.

That in turn had placed in question whether the authorities should continue to set a formal target for sterling M3, the broad money supply measure.

He made it clear, however, that if the formal target was dropped, the Bank would continue to pay close attention to the build-up of liquidity and credit associated with the rapid growth of broad money in judging the stance of its anti-inflation policy.

Mr Leigh Pemberton used the occasion of the First Loughborough University Banking Centre annual lecture in finance to deliver an exhaustive review of the authorities' monetary and anti-inflation strategy over the last decade.

"The foundations of our present monetary policy were in fact laid in 1976, under a different government from the one we have today. The fundamental objective of policy was then, and remains now, to squeeze out inflation and to create a stable basis for the operation of the economy," he said.

Substantial progress had been made in reaching the fundamental objective of lower inflation but he said: "It cannot be said that our experience with our chosen framework for operating monetary policy has been satisfactory."

The Bank governor said that targets for the money supply, which initially formed the mainstay of the anti-inflation policy, had been set in the belief that there was a reasonablly predictable relationship between the rate of monetary growth and the growth rate of nominal incomes.

"But in practice our ability to use an estimate of this relationship for target setting, and to meet those targets, has, quite frankly, been less than impressive."

In particular only two of the last six annual target rates of growth of sterling M3 had been achieved, yet during the same period the rate of inflation fell sharply.

Mr Leigh Pemberton said that the breakdown in the relationship between broad money and nominal incomes (which encapsulate both real growth in the economy and inflation) could be ascribed to a number of factors. These in turn explained why the authorities had and could accept a faster growth rate in sterling M3 than originally envisaged, without jeopardising their inflation objectives.

A key explanation was found in the changing behaviour of financial intermediaries – banks and building societies – in the economy over the past few years.

The removal of exchange controls, of the ending of direct controls on the growth of credit, and the international debt crisis had all contributed to an upsurge in competition among, and between, banks and building societies.

Competition in lending, seen most notably in the banks' entry into the market for mortgage advances to the personal sector, was mirrored by the more aggressive terms than banks and building societies had offered

Taken together, Mr Leigh Pemberton said, the changes in the financial structure and behaviour had made monetary targetry increasingly complex, both in Britain and in other industrialised countries.

In those circumstances the authorities had to decide whether it was useful to continue to set targets for sterling M3 and would review that question later in the year.

MPs call on BBC to ensure standards

By Michael Cassell

MORE THAN 100 Conservative MPs had by last night signed a House of Commons motion calling on the BBC to ensure that its producers and journalists re-establish the highest professional standards.

The move followed an out-of-court settlement on Tuesday in which the BBC agreed to pay damages for libel to two Conservative MPs. An investigative television programme broadcast in 1984 had alleged that Mr Neil Hamilton and Mr Gerald Howarth were among extreme rightwingers who had infiltrated the Conservative Party.

Principal signatories to the House of Commons motion include Sir Marcus Fox, chairman of the 1922 committee of Conservative backbench MPs, Sir Anthony Grant, Sir John Biggs Davidson, Sir William Clark, Sir Edward Du Cann and Sir Peter Hordern, who led the attack on the BBC's professional standards in the House of Commons on Tuesday.

The motion congratulates the two MPs on their court victory

It says that the motion's supporters are appalled that the BBC persisted with its unsubstantiated allegations, which resulted in a cost of £500,000 to licence holders.

CBI names youngest director general

BY HAZEL DUFFY

MR JOHN BANHAM, Controller of the Audit Commission, will succeed Sir Terence Beckett as director general of the Confederation of British Industry (CBI) early next year.

Mr Banham, 46, will be the youngest person to have held the post since the CBI was formed in 1965. His five-year term of appointment was confirmed yesterday. Mr David Nickson, CBI president, said: "Mr Banham was our unanimous choice."

He added that Mr Banham satisfied all the criteria which the CBI was seeking in its new director general; strong intellect, receptiveness, experience with Whitehall and Westminster, ability to communicate, and experience in UK industry.

Mr Banham became the first Controller of the Audit Commission on its formation in 1983. It is a body which seeks better value for money in local government. Before that Mr Banham spent much of his working life with McKinsey management consultants, where he was made a director in 1980. He started his career in the Foreign Office in 1962, and spent four years as marketing director for a subsidiary of Reed International.

Mr Banham's salary at the CBI has not been disclosed. But an interesting innovation is that he will be eligible for a performance-related bonus to be determined by Mr Nickson and other CBI leaders.

Men and Matters, Page 14

Vote on secret briefings

BY PETER RIDDELL, POLITICAL EDITOR

THE parliamentary Lobby journalists yesterday decided to hold a ballot among their 150 members working at Westminster, about whether to continue the practice of non-attribution in briefings by official spokesmen.

The vote has been prompted by the decision of the Guardian newspaper to instruct its political staff to attribute such daily briefings given by Mr Bernard Ingham, the Downing Street press secretary, to either Mrs Thatcher's press spokesman or to a Downing Street spokesman. The Independent newspaper is boycotting these briefings.

Mr Ingham is opposed to a change in the current practice in view of his position as a civil servant.

About 50 to 60 Lobby members debated the question for nearly an hour and decided that it was necessary to hold a full ballot.

Firms challenged to electronic duel

BY ALAN CANE

THE STOCK EXCHANGE, stung by criticisms of its computerised system, yesterday challenged its members to an electronic duel.

It aims to prove that Seaq, the automated quotations system which will underpin London's securities markets from next Monday, is performing to specification and fast enough for efficient trading.

A letter to members challenges them to change a stock quote using the exchange's own Level III market-maker terminals from anywhere within the British Isles. "We will tell them within seconds which quote they changed" Mr Michael Newman, head of information systems, said yesterday.

One unnamed broker had already accepted the challenge, he claimed. The change had been identified within five seconds.

The challenge stems from last Saturday's final dress rehearsal before the "Big Bang" – deregulation in the London market – when a number of the bigger market makers had problems linking their computers to the Seaq computers and experienced severe delays in changing their quotes. Delays of between 30 seconds and 20 minutes were reported.

The stock exchange claimed that the central system was working perfectly. Tests showed response times of under two seconds had been obtainable all day.

It blamed faults in market makers' systems and wrong usage of the Seaq technology for the delays. One market maker had connected 100 computer screens to a link suited only to 30, it said. The faults in market maker systems had not been detected during tests before Saturday's rehearsal because the testing teams had concentradet on input to Seaq.

They had been complacent about the other parts of the system, Mr Newman said. Seven market makers had sought advice during the early part of the week and no major jobbing firms were in difficulties, according to Mr Newman.

Merseyside prepares sale of the century

BY IAN HAMILTON FAZEY

FOR SALE: 160 Volvo trucks, 160 Leyland Land Trains, 160 Land Rovers, assorted dumper trucks, stone crushers, fire engines and tarmac layers. Only one owner. Much travelled but scarcely used.

In all, there are more than 1,000 items to be auctioned at a sale in Liverpool which is claimed to be the biggest of its kind in Europe. The vehicles and equipment are in pristine conditions – some are unused – because they were taken where they are now coming from as back-ups in case anything went wrong.

It was difficult to get spares to the building site concerned, which was on the Falklands. The plant was used for building the islands' new airport. It is all redundant now and owned by Truck and Machinery of Dublin, which bought it to sell on.

The experience of Ritchie Brothers, North America's largest auctioneers, has been called in. Its experts are flying in to wield the gavel and expect to raise more than £10m. It is being billed as Merseyside's sale of the century.

The gigantic, no-reserves-allowed auction will be held in the Liverpool freeport sometime before next March. The Mersey Docks and Harbour Company is feeling very happy because it beat off a challenge from Rotterdam to stage it. Liverpool's freeport status helped in this respect.

The plant from Stanley is being landed directly into the freeport. This means that UK VAT and import duty is deferred until the items pass through the dock gates. Foreign buyers will be able to ship their bargains straight out again and by-pass taxes

The local man in charge will be Mr Roger Rimmer, managing director of Boundary Plant, Liverpool, which has close associations with Truck and Machinery. To avoid the winter vicissitudes of open quaysides, a tented village with bars, restaurants, modern telecommunications and translation services will be erected.

London galleries/William Packer

Seductive beauty in pastels and glaze

Avigdor Arikha: Anne, artificial light study

Recent oil paintings, pastels and drawings by the Israeli painter, Avigdor Arikha, are on show at Marlborough Fine Art until the end of the month. This is the first substantial body of his work to be seen in London in more than four years, yet it remains superficially much as it was before in manner, technique and preoccupation, the same mixture of portraits and life studies, studio interiors and still-life. There are few surprises and indeed, with an artist now well into his later fifties and so well established in his reputation, it would hardly be reasonable to require of him conspicuous shifts and changes.

But that is not to say there has been no development. It is a subtle thing in the work, but Arikha's painterliness seems so much more natural and unforced than once it was, so much more integral both to image and surface; his picture-making too is less self-conscious and contrived, growing now so easily from whatever has caught his painter's eye. Altogether this gives to the work a general lightness of touch and liveliness of spirit that are quite new.

Not everything is excellent, and clearly he has particular difficulty with the nude figures, unable to model the form convincingly within a coherent pictorial space and inclined to reduce the infinitely various and delicate tonality of the flesh itself to a narrow range of muddy brown. This is an odd failing in him, for as an observer and painter of the head he is increasingly convincing and authoritative in his modelling and characterisation, investing the flesh tones in particular with all the clean and delicate variety we could want.

Perhaps it is a simple issue of self-conscious anxiety and inhibition in the face of the supposedly more serious exercise and great tradition that the nude represents. The public portrait too seems to present him with the same difficulty: his portrait of The Queen Mother, now at the National Portrait Gallery, is so much less resolved and certain than the charming, light and rapid, even slight study for it shown here. But it is not for me to tell him to relax and enjoy himself.

Whenever he does lose himself in his work, however, he succeeds admirably, working the paint with a loose, open and rather scrubby brushwork that keeps the surface, whether of canvas or paper, ever lively and unlaboured. The best of the drawings, the rapid notes made on the New York Subway and the large studies of the clothed and seated figure, in which the artist's fascination with his subject is entirely at one with the direct means of its expression, are wonderfully vigorous and complete as works of art. The small pastel paintings—they must be called paintings rather than drawings—of incidents, corners and fragments of studio still-life, are as extraordinary as they are seductively beautiful. Arikha's mastery of the medium is such that more often than not it is impossible to see quite how he has worked it—which is almost Whistler's definition of the finished work of art.

At the Angela Flowers Gallery (11 Tottenham Mews until November 1) the exhibition of Glenys Barton's recent sculpture is to be recommended. She is an artist who has always worked within the material and technical disciplines of ceramics, turning in particular to the near-industrial processes of porcelain, with its moulds and castings. But with this new work she has made not so much a break with that past as an onwards leap for freedom. She remains as taken up as ever with the simple and cleanly modelled form of the human head, sometimes idealised and sometimes worked from life, but is now concerned more with the unique than the reproducible object. The moulds have gone and she now works, fires and glazes the clay direct. Indeed the glazes are sometimes so rich and dense that it seems she might still feel the need to declare her continuing ceramic allegiance. But she need hardly worry, for again it is the old business of means, material and image coming together truly as one. Her later pieces here in which a rich but plainer glaze serves not to decorate and describe but actually be the surface and express the form, are the best and most beautiful things she has ever done.

Breaking the Code/Haymarket

Michael Coveney

The hero of Hugh Whitemore's new play is Alan Turing, the Bletchley Park boffin who cracked the Nazi Enigma code and pioneered the notion of the thinking computer. After the war he was prosecuted for homosexual soliciting in Manchester and submitted to hormone treatment in exchange for bail. He committed suicide in 1954 by eating an apple dipped in cyanide, although the apple's remains were never analysed.

The subject is a fascinating one, and relatively unknown, although Whitemore pays all due credit for his source to Andrew Hodges' magnificent 1983 biography *The Enigma of Intelligence*. Turing is the unfashionable patriotic side of the 1930s' climate of treason; a Fellow of King's from the 1930s, his story is rooted in a middle-class background, schooling at Sherborne and a practical delight in mathematics and physics.

His favourite film was *Snow White* (the wicked witch and her poisoned apple obviously had an impact) and in 1939 he intriguingly defended the abstract constructions of pure maths against Wittgenstein's attack on the concept of "proof."

The play shuffles and debases many of the most brilliantly expounded passages in the biography but produces, nonetheless, a coherent portrait of a sports-jacketed science pupil who never grew up. Derek Jacobi has brushed with intelligence before in film and on television, but this role allows him to spread clipped histrionic wings to memorable earth-clawing effect. He endows Turing with a gulping, gasping stutter to add to the bitten fingernails routine, and preserves above all the sense of practical, wide-eyed wonder in his subject that made Turing such a daring and enthusiastic experimentalist.

Jacobi has always struck me as an ageless actor, a puffy-eyed ambiguously debauched cherub who is entirely suited to flying through such doughy matter as police enquiries and superior interrogation. The Manchester court case frames the action, Dave Hill's flat-vowelled matter-of-fact detective sergeant inspecting a scene where Ortonesque sordidity is only explained after a flashback to a giggling pact with his Sherborne crush Christopher Morcom and brutal approach work along the Oxford Road.

It takes time, in the Haymarket of all places, to acclimatise to *Liz da Costa's* vast hangar-like corrugated iron shed, with its sliding doors letting in an ecstatic English skyscape to light up the Festival of Britain decoration of Turing machines, those quaint grey constructions of wire, valves and buttons. Jacobi's inventive friskiness is bounded on one side by the suburban respectability of his mother (Isobel Dean) and on the other by the politically casuistic officer in charge, Dillwyn Knox (Michael Gough), the King's don in whom Whitemore deposits various authority figures in the Turing story.

There is also the Bletchley Park colleague he nearly married (Joanna David) re-named, like the fateful pick-up, presumably for reasons of decorum. Clifford Williams's production has the curiously insidious effect of making you wonder how we muddled along to win the war and enter the computer age while managing to crucify one of its prime visionary architects.

The play is constructed in interleaving slabs: Sherborne idyll, boffin briefing, maternal and feminine loyalties (twice each), homosexual encounters (in Manchester and Greece), and so on. It survives such schematism thanks to Jacobi's performance.

The irony was that Turing, humiliatingly treated in organo-therapy like some dispensable guinea pig, ended up on the receiving end of science, growing breasts. The play does not dabble in the whole security-conscious homophobic witch hunt of the 1950s — Whitemore prefers to give us the News of the World headline: "Accused Had Powerful Brain" to anything more lip-smacking — but it does expose the blanched suburban underside of momentous events, and channels them into a decently written, if not riotously witty, scenario. In that sense, this play completes a wonderful, musty period trilogy starting with *Stevie* and *Pack of Lies*.

The layman will have to turn to Hodges for exhilaratingly lucid explanations of what Turing actually achieved in the lab, but Jacobi falls with relish upon those speeches which touch on his conception of the universal machine. He was in the extraordinary position of both securing the future and creating it, a fact that lends his sad and trivial downfall an extra piquancy.

Alastair Muir

Derek Jacobi

Young Writers/Theatre Upstairs

Martin Hoyle

Last year the National Theatre mounted a bill of five short plays by youngish or at least inexperienced playwrights. Now the Royal Court's top-floor auditorium launches its season with three works by genuinely young authors and comes up with a livelier experience altogether.

The biggest surprise comes from how Jane Green's sets exploit the limited space. A candle-lit interior, rough wooden furniture, pots and rushes, evoke a rural household in 1665 for 19-year-old Theresa Heskins's *The Plague Year*. This sardonic little anecdote exudes the sour breath of a Roald Dahl short story with a nasty twist as the bereaved family, plus visiting minister, are boarded up in their house for 40 days' quarantine. Hettie Macdonald's production tries to stiffen the sinews of a portentous tale that actually bespeaks a good commercial (TV-orientated?) talent rather than the investigative moral trenchancy aimed at. The six-strong company set the evening's tone with fine performances.

The designer triumphantly brings a comic-strip garishness to the second play, *William*. The 17-year-old protagonist/narrator ("I never had an adolescence: I went straight from six to 46") lugubriously introduces us to his family home, a hideous discord of pink and green plastic furniture. Zombie-like Dad (Ian Redford) slumps in front of the telly. Mum (Linda Henry, with vermillion wig and circular rouged cheeks) addresses her yellow ironing-board and blue iron with the grimly satisfied assertion of the thin-lipped Catholic that "God watches over me and gives me the best possible."

William finds romance with fat, slaggy Rose—Cheryl Maiker bulges out of her (just) thigh-length black-spotted yellow dress with its huge bow, puffs pink ciggies and clumps off in lavender-hued shoes (the off-stage crash that attended one of Miss Maiker's exits seemed perfectly in keeping). Faintly Adrian Mole-ish, even to regarding the BBC as his possible salvation, the dolefully Scouse William is personified by Mark Williams in vast orange sweater and black suede winkle-pickers.

Mr Williams is one of the most compellingly watchable comic talents I have seen for some time: a slightly Bob Hope-like nose, a retiringly unassertive chin and a wide, loose mouth contribute to a totally unpatronising performance. No patronage in the writing, either. The 16-year-old author, Shaun Dugan, obviously has a cheerfully perceptive gift for comedy with a dash of surrealism, underlined by Miss MacDonald's production.

Lindsay Posner's taut, tense direction makes the evening's last play into a compelling experience. The author is all of 20 and at university; a certain sleek professionalism characterises *Ficky Stingers* by Eve Lewis. Harriet Bagnall as the narrator, a robust cockney girl (and her mates are raucously well done by the company's two other actresses) whose occasional foul-mouthed jollity on the booze of a Friday night steers clear of sentimentality when she is subsequently raped. Cyril Nri is just right, alternately beaming fatuously in masculine complacency or snarling with vicious menace, as the selfish male. Only a symbolic prologue and a not quite symbolic funny story of unclear significance need pruning for the play to lose its slight air of calculation.

Ballet Gulbenkian/Sadler's Wells

Clement Crisp

Ballet Gulbenkian has returned to Sadler's Wells for a week's season, three years after its initial visit to this same theatre. The company appears leaner, cleaner in style than on its previous showing, though problems of creative identity are still matters for concern.

The troupe's two resident choreographers, Vasco Wellenkamp and Olga Roriz, provided works in Tuesday's opening programme. Mr Wellenkamp's *Bénédiction de Dieu dans la solitude* is ecstatic about its Liszt piano score (well played by Tania Achot), with a shaft of light inevitably breaking across the backdrop while men in purple carry girls in pale pink dresses, and everyone scurries about inspirationally. There are a few wrenching accents to break the fulsome lyricism of the piece, but otherwise sweetness and light are everywhere apparent.

Miss Roriz' contributions are distinctly other. *Three songs by Nina Hagen* finds Elisa Ferreira having a bad time with three chaps who are relentless in their physical abuse — she is either a glutton for punishment or a rotten judge of a man — while Miss Hagen howls like a German banshee. The dance is as raucous and vulgar as its accompanying songs, and on these terms may be judged a success. Miss Ferreira gives a fine and desperate edge to her movement, and the men are suitably brutish; as a theatrical experience it may appeal to those who like seeing women manhandled.

The second Roriz work is *Empty Space*, a solo for Ger Thomas who spends an unconscionable time getting himself off a large slate-coloured sofa, and then seems no happier. Mr Thomas suffers with all the approved twists and convolutions of the body that are usual in angst-ridden pieces like this, and at the end the voice of Nina Hagen gives us a blast of *My Way* as a *coup de grâce*, and Mr Thomas lies prone on the sofa. He has danced strongly, but my sympathies are with the uncomplaining furniture.

And to close an ill-balanced evening, Christopher Bruce's *Ghost Dances*. This is Mr Bruce's message to the world about the sufferings of South American people since the time of the Conquistadors, pious in its intentions and not a little predictable. It is given a bold and wholly idiomatic interpretation by the Gulbenkian dancers, and in it their qualities of sure dramatic dance and coherence as an ensemble are to be admired.

Timothy Hugh/Purcell Room

Dominic Gill

Timothy Hugh is already well known in British chamber music circles: he is the cellist of the Domus Piano Quartet, and also the principal cellist of the Academy of St Martin-in-the-Fields. At the beginning of the year on this page Max Loppert remarked on Hugh's "uncommonly mature musicianship"; and a second London recital on Tuesday night confirmed that judgment.

His fiery cantabile lit up Martinu's little set of Variations on a Slovak Theme to powerful effect: few cellists (and for some reason especially British cellists) achieve that ideal blend of ringing fortissimo with a timbre of infinitely subtle gradation. The very quiet dynamics too were solidly rounded, never thin — this account of the second, slow piece of Schumann's late Five Pieces *im Volkston* of 1849 was exquisite, a half-voice carrying with perfect clarity.

The cello sonata (1978) of the Soviet composer Alfred Schnittke was new to me, and Hugh presents it convincingly as a major work of the repertory dominated by a huge third and final movement, twice as long as the first two together, that seems at first hearing like a vision and summation of Shostakovich: but a vision in unusually vivid and personal terms, recollected first in anger and then in tranquility. It was a magnificent performance, shot through with angry colours, its momentum grippingly sustained.

The recital's second half was devoted to one work, Rakhmaninov's early (and only) cello sonata in G minor—dating from the same year as the second piano concerto, many of whose figurations and whose exuberance generally the sonata shares. It was an exuberant account, mercurial and feather? light in its scherzando page, grandly surging at its climaxes. Kathron Sturrock was Hugh's excellent accompanist, alert and responsive, in almost every measure an equal partner—her command of the Schnittke especially, easy to smudge or overblow, was exemplary. Splendid recital.

The Big Bang/ITV

Christopher Dunkley

To some FT readers it may seem a bit late in the day to be asking 'Just what *is* the Big Bang?', the question addressed by last night's ITV programme made, most fittingly, by a director/producer named Robert Fleming. Yet, I suspect that even now, four days away from the event, a remarkable number of readers outside the City would have difficulty in defining the phenomenon, and it was presumably for them (us) that the programme was made. So, how well did it fulfill its purpose?

It will have been much more helpful to those with a little knowledge than those with none. Viewers who do not know the meaning of "gilts," "jobbers," or "sovereign borrowing" (a phrase used in the programme by the FT's own Jurek Martin; was he referring to the nice little gold coins?) were left clutching at the jetsam as this showy speedboat of a documentary hurtled past. It was, of course, madly ambitious even to try to deal with the entire subject — fixed commissions, the switch to the new technology, the Japanese/American threat, and even "Chinese walls" (I always assumed this meant something effective, though paper-thin, only to be told here that the reference was to the Great Wall) — all in a single programme.

But television is a medium which achieves most by impressionistic means, and, when *The Big Bang* finished, several vivid impresions were left. First, visits to such places as Cazenove, Kleinwort Benson, and the Bank of England suggested that life in the City is even more plush than television dramas like to suggest: it seems to be all silk shirts, Eton accents, and Roux-trained cooks in the canteen. Second, the Big Bang is going to blow open this cosy club and let in foreign competition in a manner never previously experienced. And third, nobody really knows what the result of that blowing open will be.

The oriental smile on the face of Hitoshi Tonomura, President of Nomura International, Japan's biggest stockbrokers, as he said "We have been playing a lot of baseball and now we have to learn to be good cricket-players," looked deeply ominous to me. Nor was I much reassured by M and G's David Hopkinson, when he said: "What'll happen on Big Bang day is that the British will show their amazing ability to shamble through any crisis: it'll all work."

Perhaps Fleming could make a date now for a programme in October, 1987, telling us in layman's terms whether it did all work, or whether England's Test selectors are fielding an all-Japanese team.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 17-23

Exhibitions

NETHERLANDS

Haarlem, Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800–1850. Ends Nov 30.

ITALY

Venice: Chiesa di S. Stae: Marc Chagall: Illustrations to the Old Testament: a delightful series of gouaches by Chagall during 1930-31. A few come from private collections, but most are lent by the Musée National Message Biblique in Nice – built to house his biblical works. The paintings convey strong religious feeling tempered by Chagall's charm, humour and undramatic approach. Ends Oct 30.

BRUSSELS

Chinese Porcelain – the transitional period 1620-1683. Collection of Sir Michael Butler. Musée Royale d'Art et Histoire. Ends Dec 14.

Opalescence – Pressed Glass 1920-1930: Banque Bruxelles Lamberg, Place Royale. Ends Nov 29.

LONDON

The Royal Academy: Je Suis le Cahier – the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to obsrve and work on variations upon his theme entirely as he chooses. When the artist is a very gre at one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

PARIS

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world be peopled with voluptuous goddesses and Shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4269 5410).

NEW YORK

Museum of Modern Art: Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

WEST GERMANY

Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, cibrial, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.

Saleroom/Antony Thorncroft

Pick of the premises

If you want spectacular prices, hold a sale on the premises. That is the rule of thumb and it certainly paid off for Christie's yesterday, and the Trustees of the late Mr Thomas Upcher, who disposed of the contents of Sheringham Hall in Norfolk. The entire county turned up, trying to buy a memento of this house which was designed by Humphrey Burton in the early years of the 19th century and has now been acquired by the National Trust.

The top price was the £110,000 paid for a flower painting by Paul Theodor van Brussel, a work of 1790 which had sold at Christie's in 1944 for 250 guineas. A Rhenish landscape by Herman Saftleven, painted in 1667, made £22,000.

Among the furniture a Regency giltwood settee made by Gillows of London in the Greek style in 1805 for £77,000 (as against a £15,000 top estimate): its companion is in the V & A. A pair of Regency parcel gilt and simulated green patinated bronze torcheres, in the manner of Thomas Hope, more than doubled their top estimate at £44,000 and a pair of Regency ormolu wine coolers, after a design by Boileau, which might have belonged to Lord Nelson, made £37,400.

Some bedroom furniture, supplied by T. Philiips of London to decorate the house in 1839, went for £5,582. Meanwhile in London Christie's was disposing of silver, with four Dutch candlesticks of 1772 by Pieter Kersbergen selling for £24,000.

As usual, Sotheby's obtained very high prices for topographical paintings. A view of Wolfe's cove in Quebec, painted in 1840 by Robert Todd, looking east, sold for £84,700 (top estimate £60,000) while the same cove from the south by Todd went for £83,600.

The sale totalled £670,560, with 9.3 per cent unsold in the morning session. A view of the Grand Canal in Venice by Sir Arthur Streeton made £57,200, while the Redfern Gallery of California paid £30,800 for "The Yosemite Valley," in that state, painted by Thomas Hill in 1890.

An auction of minor works by Impressionist artists went true to form with a morning total of £742,115 and 19.7 per cent unsold. A view of the victory celebrations in Trafalgar Square in 1918 by the French artist Claude-Francis Barry went for £23,100, over double the top forecast, and "Tre uomini alla tavole" by Ottone Rosai, did well at £17,600.

Sotheby's established a record price for a single jewel at auction in North America when it sold a pear shaped diamond of 31.47 carats for £1,209,622 on Tuesday to a private European buyer.

FINANCIAL TIMES

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Thursday October 23 1986

Dropping the monetary pilot

A FUNERAL is an odd ceremony to launch a new venture, but at least the Loughborough University Banking Centre can claim to have secured a memorable funeral for its first annual lecture. The Governor of the Bank of England chose this occasion to administer the formal rites over broad money targeting, which has in theory been a cornerstone of British monetary policy fro a decade. In recent years, it is true, the subject has looked in extremely poor shape, and has been pronounced dead by a number of specialists, so the actual interment is not likely to cause any serious excitement. What the spectators heartlessly wish to know is what will succeed this dead letter of the monetary law; but the Governor did no more to enlighten them than did the Prime Minister or the Chancellor in their recent pronouncements.

Arbitrary boundary

In one important respect, nevertheless, the Governor's speech is reassuring. This was a really impressive and well-researched demolition of the old theory. Nobody who studies it carefully, and with an open mind, will feel inclined to accuse the authorities of evasion or covert relaxation when broad money targets are missed in future. They will be missed, because although the Governor made an overwhelming case for dropping them rather than simply de-emphasising them, they will remain formally in place at least until the Medium Term Financial Strategy is restated in the 1987 Budget. The authorities will continue to ignore them, unless other signs confirm the case for action.

The reason is simply that broad money is difficult to understand and almost impossible to control. As the Governor showed, the end of exchange and credit controls, and the increased volatility of interest rates and exchange rates, have changed almost beyond recognition the system which Mr Denis Healey sought to control in 1976. More and more deposits yield high rates of interest, and more and more are held outside the banking system.

These developments have two consequences which are bedevilling monetary policy in most countries, and especially in the English-speaking countries where the structural changes have been most radical. First, they render almost entirely arbitrary the distinction between deposits which count as money and closely similar instruments which do not, while a targeted aggregate should have a clear meaning. Second, all these deposits, whether they fall within this arbitrary boundary or not, become more attractive if interest rates are raised. They cannot therefore be controlled by monetary policy actions.

Official realism

We have been urging these arguments for some years, and so must acknowledge the Governor's speech as a notable advance in official realism. He added other persuasive arguments of his own. First, the development of sophisticated swap and futures transactions in corporate finance means that a single act of borrowing may be counted several times over in the statistics; some of the excessive growth of credit and broad money is thus an optical illusion. In addition, increased competition has reduced the cost of bank intermediation. The demand has naturally risen.

However, the fact that liquidity cannot be accurately measured or meaningfully targeted does not mean that it does not matter, as the Governor repeatedly stressed. It may tell us little about the future trend of nominal income or consumer demand, but it does tell us the system may be becoming dangerously volatile. Large corporate balances can readily finance heavy runs on sterling. Large personal balances can be spent if inflation fears are reignited.

Excess liquidity

There are two answers to these threats, short of a fiscal squeeze to wring excess liquidity out of the system. One is that into which British policy has drifted: to ensure interest rates are high enough to discourage switching or spending. The differentials which now seem to be necessary to maintain confidence in sterling deliver their own unflattering judgment on the British record. The other is to adopt a clearer commitment than the endless succession of sermons against inflation. This commitment, which other governments seem able to enforce, is to target the exchange rate. The Governor's learned demolition of the old system reinforces the case for the alternative he failed to mention.

Costs and quality in British Rail

THE NEW financial targets for British Rail announced by Mr John Moore, the Transport Minister, on Tuesday seem to underline a common fallacy: that a public service can be efficient only if it operates at break-even or better, as gauged by commercial accounting principles. BR's public service operating grant is to be scaled back to £555m over the next three years, compared with nearly £900m in the financial year which ended last March. InterCity services will no longer qualify for a public grant and will be lumped with freight and other commercial services on which a total real return of 2.7 per cent will be expected.

The planned cut in public support for Network South-East and the provincial rail networks has to be seen in the context of a surge of complaints about the quality of BR's services. In August, the Central Transport Consultative Committee, the rail users' watchdog, produced a scathing report. It noted a 38 per cent jump in passenger complaints, a poor record on punctuality (only two thirds of express trains to and from Euston and Kings Cross were within five minutes of scheduled times) and unacceptable levels of involuntary standing and overcrowding.

Passengers' expense

The watchdog concluded that financial targets have been met (or approached) only by cost-cutting measures at the expense of passengers. Real efficiency gains require the provision of improved services at reduced costs; they do not mean higher fares, and fewer and shorter trains. The House of Commons Public Accounts Committee made a similar point earlier this year: success in meeting strategic objectives—the financial targets—does not necessarily imply an improvement in efficiency.

Certainly, anybody who uses Network SouthEast is unlikely to be impressed by the quality of service. Chronic overcrowding during peak hours, cancellation of services and poor punctuality are very real problems. Will they be alleviated by a further cut in public grants for what is the world's densest rail network outside Tokyo? And should BR be obliged to impose yet higher fares when the service is so patchy?

Social costs

The efficiency arguments are much less clear-cut than the Government admits. The social costs and benefits of rail transport, as almost all economists concede, are not captured by accounting principles designed to measure private profit — and that crudely. It is not a coincidence that rail services in most other countries — certainly Japan and continental Europe — are both more heavily subsidised and more efficient and comfortable. In relation to GDP, the rail subsidy in West Germany is more than twice as large as the UK's; it is bigger still in Austria. In Switzerland, figures on punctuality are apparently not recorded, because they are not necessary.

Tax breaks

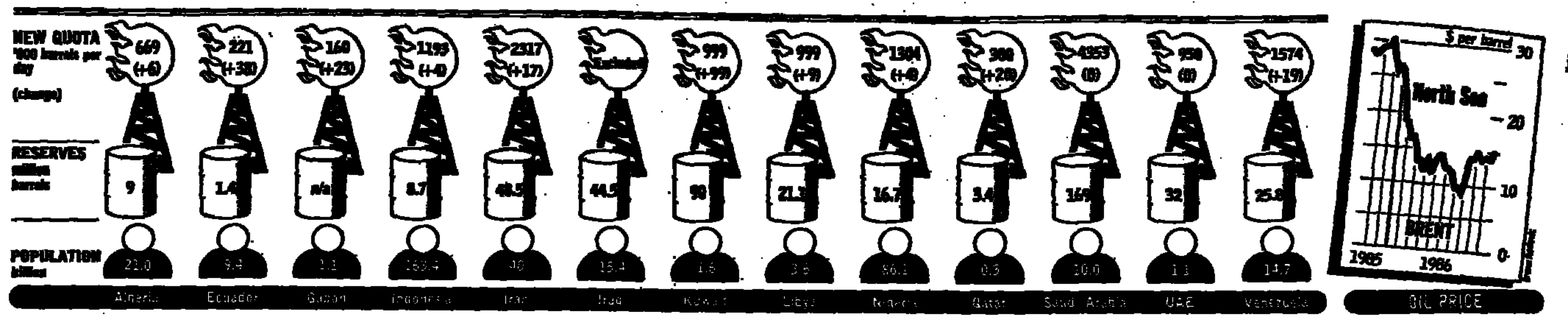
The UK may be the only country in the world pursuing sensible rail policies; everybody else could be out of step. The Government may be right to give huge tax breaks for company cars and to fail to charge motorists for the cost of 10,000 miles of trunk roads and motorways. It may be logical that commuter trains approaching London are packed to the gills during peak hours while roads are jammed with large cars typically carrying a single passenger at far greater costs per person mile.

The alternative is that other countries have more balanced transport policies. In thinking strategically about rail services the Government needs to consider the social costs of the motor car. Everybody wants to see a genuine improvement in BR services and better incentives for its staff. It is not clear that this will be achieved by the present system of financial targets.

OPEC

Perhaps, a new equilibrium

By Max Wilkinson, Resources Editor



THE INORDINATE length of the meeting the Organisation of Petroleum Exporting Countries in Geneva, which ended yesterday, may prove to be more significant than the 13 members' failure once again to achieve a long-term agreement.

As the meeting dragged on into the small hours in its 17th day of wrangling, political posturing, and diversions, it had become clear that although fundamental agreement was for the seventh time in 12 months out of reach, outright failure had become unthinkable.

For this reason, the latest meeting may prove to be an important turning point for the oil market.

The last days and fevered hours up to 3 am yesterday were spent splitting adjectives over a political compromise designed to minimise each country's loss of face and allow each minister to go home with something he could claim to show for his labours.

All this haggling centred on the allocation of an extra 200,000 barrels per day of production, a mere 1.2 per cent of the present notional ceiling of 16.8m barrels per day, and scarcely enough to make the world oil markets blink.

The big question of how the 13 countries will share production over the medium term was put off yet again until a renewed session on December 7, when the prospects of agreement appear dim to say the least. Meanwhile Opec will stagger through another two months, with minor modifications to the temporary agreement reached in August.

It is clear, however, that the mood within Opec has changed radically since the meeting last December when it announced with studied insouciance that it proposed to abandon the discipline of production quotas in pursuit of "increased market share."

In spite of deep rivalries and the bitterness engendered by the Iran-Iraq war, the 13 countries kept on talking and felt compelled to argue each other into exhaustion, like a split jury unable to emerge without some credible consensus to show the world.

By the end of last week the Opec ministers had three proposals on the table.

The first was to extend the temporary two-month agreement into November and December with a 200,000 b/d increase, nearly half of it for Kuwait. This was supported by the "conservative" monarchies led by Saudi Arabia.

The second was to extend the agreement for two months giving 70,000 b/d to the most needy countries, Ecuador and Gabon, with 130,000 b/d for the rest, excluding Iraq. This was proposed by the radicals, among them Iran.

The third option was a collapse of the cartel agreement and the prospect that oil prices—and Opec revenues—might halve.

That prospect was credible after the wild swings in the oil price this year—and so devastating—that it was clear that somehow or other delegates would have to reconcile their demands. And they did.

It may be significant that the oil markets appeared not to have been surprised. Spot prices for Brent crude remained close to the $14 to $15 per barrel range for most of the meeting and showed no very marked reaction at its conclusion.

The much more vivid fear of penury which has gripped many of the Opec producers seems to have convinced many oil companies and traders that another collapse to below $10 a barrel is unlikely, so long as Opec can keep talking. This itself is a powerful incentive for Opec members to keep the conversation going, for it is now clear that they have little hope of regaining outright control of the market in the near term. On the other hand they can still strongly influence it.

Several new forces may therefore be emerging to curb some of the bigger swings in an oil market where rises and falls of 50 per cent have become almost routine in the last nine months.

The first is a revived sense in Opec that price is more important economically than market share, for individual countries as well as for the group as a whole. This was recognised in the communique from the latest meeting in which a desire to re-establish price levels was attributed to Saudi Arabia.

Although the basic economic dangers of this approach may have been obvious on paper since last year, it may have been difficult for oil producers to believe after a period of 11 years in which Opec had managed to maintain the oil price at between $20 and $50 per barrel in current money terms. Few producers or oil companies believed that Arabian blends could plunge to $6 per barrel as happened early this summer.

This has brought about an important change of sentiment in the markets. As one oil executive put it, a collapse of the Opec cartel could never be final since the price would be driven down to a level where the pressure to reform it would be irresistable. Conversely the markets will be suspicious of any production-sharing agreement, because past history shows that high prices lead to cheating.

There is thus a growing feeling in the industry that a new equilibrium is emerging—albeit an uncertain one — in which prices will move in a relatively narrow range between about $14 and $17 per barrel.

Opec's lesson was learned in two stages. The first was the collapse in prices from $30 per barrel last autumn to a price of only about $6 for some Arabian blends this summer. This followed what some producers now see as a collective act of lunacy in December when Opec effectively abandoned production restraints, setting off a free-for-all in a market where production capacity exceeds world demand by about a quarter.

The second stage began in Geneva in August where Opec cobbled together an eleventh hour temporary agreement to return to the production quotas first agreed in 1983, but to exclude Iraq. The announcement of this production ceiling of 15.8m b/d had an electric effect on the market. Oil prices rose by more than 50 per cent to about $15 per barrel, and have hovered around this level ever since.

The major question now is whether the old conflicts within Opec will allow a more permanent agreement to be reached in December.

This hinges to a considerable extent on the balance of power between Saudi Arabia and its conservative allies in the Gulf Co-operation Council and the radicals led by war-torn Iran.

In August it seemed that Iran had gained the initiative by a combination of threats and persuasion. The Saudi strategy of "teaching Opec a lesson" in market forces was in danger of backfiring as political strains became intolerable. It was Iran which proposed the interim arrangement due to expire at the end of this month.

However, at this meeting Kuwait and Saudi Arabia appear to have regained a partial ascendency by refusing to sanction any agreement which failed to give an increased quota to Kuwait. Sheikh Ali Khalifa al Sabah, the Kuwaiti oil minister, warned at the outset that he was willing to stay a month unless his demands were satisfied. In the end he got only part of what he wanted, and Saudi Arabia contributed its "share" of an increased quota to Kuwait's allocation.

It seems inevitable that similar horse trading, perhaps on a grander scale, will be resumed in December when delegates will once again take up the near impossible task of attempting to agree an objective formula for future production.

No formula, however, can avoid the problem that within an overall ceiling of say 17m b/d any increase for one member means an unacceptable reduction for others.

If full agreement seems far off, however, this latest and longest meeting of Opec suggests a way in which the oil-producers may muddle through, starting with the rather arbitrary production allocation that they have now and arguing furiously and interminably about increments as the oil market slowly recovers.

This may take some time, however. Huge stocks built up in the summer when production reached 21m b/d are likely to overhang the market until February. By then a reduction of oil demand will be in sight as the northern spring approaches.

Perhaps Opec's best hope for this period will be to emulate the member-countries of the Common Agricultural Policy and try to keep hope alive by remaining in almost continuous session.

Still no agreement on how to divide the cake

KUWAIT'S DEMAND for an increased production entitlement was the most contentious issue at the conference, but the most time-consuming problem was the redistribution of quotas.

Definitive agreement on a new system of allocation, based on "objective" criteria, has been from the outset a condition laid down by Kuwait. The stipulation was quietly dropped as it became apparent that much more discussion would be required before the 13 members could reach consensus on a formula for dividing up the oil demand cake—a question which has haunted Opec since its earliest days. Mr Gholamreza Aghazadeh, Iran's chief delegate, warned that it could take members three weeks to revise the proportions somewhat arbitrarily set in March 1983.

No fewer than two dozen different criteria, or "parameters," were proposed when the committee of experts representing all member countries started its work on the second day of the conference.

Inevitably, states campaigned hardest for factors which would give the best results for themselves. Flippantly or otherwise, Libya is said to have proposed a distribution based on land mass, but there was general agreement that oil-related factors should be given the greatest weight.

Even those members with least to gain from such an approach conceded that the most important factors are reserves, production capacity and historic market share.

Some, however, also argue that "socio-economic" factors, like population, should be taken into account. It is these demographic disparities—population generally within Opec states is in inverse ratio to oil reserves—which create most tension.

To take two extremes, Saudi Arabia has 33 per cent of Opec's collective oil reserves but less than 3 per cent of its population. Indonesia's share of the oil is only 6.6 per cent, according to the generally accepted reference, but it has about 40 per cent of mouths to be fed.

Opec's experts made permutations on this data with some fairly startling results. One was understood to have given Ecuador, Gabon and Qatar a negative entitlement. Others justified a quota for such populous countries as Indonesia and Nigeria above their production capacities.

Overall, however, the weightings receiving the least backing from delegates put the Gulf producers in a very strong position.

Saudi Arabia and Kuwait pressed for a regime giving a 50 per cent weighting to reserves, 20 per cent to capacity, 20 per cent to historic market share and 10 per cent to population. The result gave Kuwait an entitlement of 2.08m b/d compared with its old quota of 900,000 b/d and Saudi Arabia one of 4.88m b/d compared with 4.353m b/d. Algeria would have been cut from 663,000 b/d to about 460,000 b/d and Gabon from 137,000 b/d to 60,000 b/d.

The experts came out in favour of seven "parameters"—reserves, production capacity, historic market share, production costs, internal consumption, petroleum exports as a percentage of foreign exchange earnings, and population.

After the findings of the experts had been submitted to a full ministerial session, a simple majority favoured adding external indebtedness as an eighth. This was bitterly disputed by Kuwait, which said countries like Venezuela had only themselves to blame for their liablities. The weighting of the chosen "parameters" has yet to be debated.

Argument over them will ensure another protracted meeting in Geneva in December. In practice, it will almost certainly only be possible to agree a system which applies to incremental production.

Richard Johns

Daring duo make their bid

THE brothers David and Frederick Barclay, the moving force behind the audacious £750m bid by Gulf Resources for Imperial Continental Gas Association, have a well-deserved reputation as two of Britain's most publicity-shy businessmen.

This week, in the interests of promoting the IC Gas bid, they have raised their profile just a little, allowing members of the press across the threshold of their Ellerman Lines City offices. But the short and dapperly dressed twins remain remarkably reluctant to reveal much more about themselves, and the businesses they own.

If pressed, they will admit to being in their early 50s, and to owning and running their companies jointly. David, they joke, is chairman because he was born ten minutes before his brother.

Nor is the bid for IC Gas likely to reveal much about the extent of their fortune and the profitability of their businesses, since it is being made by a US company in which they hold just a 34 per cent stake.

"New York to Moscow—is that business class, economy or tit for tat, sir?"

Men and Matters

They are known to have begun their careers in estate agency, moving from there into property and hotels in the early 1960s. Like many others, they were hit badly in the property crash of the 1970s but pulled through, and in the late 1970s disposed of several of their major London hotels.

In the 1980s, however, the emphasis has been very much on expansion. In 1982 they paid £9.5m for MF North, a temperance hotel chain run by teetotal Sir Cyril Black, and the following year they bought Ellerman Lines, the privately-owned shipping and brewing group, for nearly £50m. The shipping side was sold off late last year in a management buy-out, but plans to sell the J. W. Cameron brewing business in Scottish & Newcastle fell through when the deal was referred to the Monopolies Commission. They also own East Anglian brewers Tollemache and Cobbold.

Their hotel empire includes the luxury Howard Hotel in London's Temple and the Londonderry on Park Lane which they sold for £9.5m in 1979, only to buy it back five years later for £18m.

Out of the blue

There was no lack of hyperbole yesterday when the Duke of Edinburgh officially opened Hong Kong's giant Castle Peak power station, saying that it provided proof of "the ability of British industry to match the best in the world."

The HK$2bn plant, which by 1990 will have eight generators in operation producing 4,350 mw of electrical power, is among the largest in Asia. It has been commissioned six months ahead of schedule, and on budget.

So, amid the congratulations yesterday, nobody mentioned the humble bolt that, in June, worked itself loose, got into one of the generating units and caused about HK$2m damage.

A team of 10 engineers from GEC Turbine Generators, which built the units, was rushed to Hong Kong and spent six weeks repairing the damage. One engineer said at the time: "It's inexplicable. There is nothing obvious we can find that anyone failed to do."

Happily, the Chinese Government seems to agree the accident was a quirk, since it has recently awarded GEC a contract for work on Guangdong's nuclear power plant at Daya Bay, just 40 miles from Hong Kong.

Together, Castle Peak and Daya Bay, says GEC, have secured for British industry more than 75,000 man years of work and will provide Hong Kong with one of the best power supplies in Asia.

More than enough, I suppose, to cure a HK$2m headache.

Banham's tact

The only glimpse of his thoughts on industry afforded by John Banham, who takes over early next year as the new director general of the Confederation of British Industry, was in the Think Tank report on the future of the British motor industry. He headed the McKinsey team which helped to prepare it.

That was 11 years ago when the report, while putting responsibility for the industry's competitive weakness firmly in management's hands, called on government, through BL, to lead the way to a viable industry. Yesterday, Banham diplomatically refused to be drawn on his present thoughts on what government might do for industry. "They are private," he told reporters. "Ask me again in nine months' time."

He did, however, reveal that, at the request of Mrs Thatcher, he had made a presentation to the Cabinet last year on his work at the Audit Commission, which involves promoting value for money in local government —a subject close to the Prime Minister's heart. "By all accounts, they were extremely impressed with what we were doing," he said—which suggests he has already made his mark where it really matters.

Banham has also shown he does not cringe from criticising government. Two years ago, the Audit Commission published a report castigating Whitehall for the uncertainties of its carrot and stick policies on local government finance, suggesting that they had cost ratepayers dearly. Eighteen months later, the government quietly dropped some of its controls. CBI members will be hoping to see more of such powers of persuasion.

Selling points

Nestling among the stalls run by management consultants, business software manufacturers, video trainers and recruitment agencies at the annual Institute of Personnel Management conference in Harrogate today will be, for the first time, two trade union promotions.

One exhibitor is the EETPU electricians' union. No surprise that, given the union's popularity at IPM conferences, its attempts to market itself generally, and to recruit members by signing controversial strike-free agreements with companies.

Such a policy has led the EETPU into conflict with other unions, and with the TUC, which took disciplinary action earlier this year over the Wapping dispute.

Odd, then, that the other union stall should be manned by the TUC itself, trying for the first time a direct sale of its services and publications to companies attending the conference.

Observer

UK economy

How house prices fuel wage rises

By John Muellbauer

ONE OF the great puzzles of the UK economy is why, despite massive increases in unemployment, an apparent transformation of the industrial relations scene and an environment of global disinflation, wage inflation remains so high.

Our* recent research on wages finds the housing market to be centrally implicated in the inflationary process; I suspect that the housing market is as important as the deficiencies of the UK's labour market institutions and its system of training and education in explaining the country's relatively poor post-war economic performance. We now appear again to have embarked on a spiral of *domestic* inflation in which house prices feed wages and wages feed house prices. Worries about the exchange rate in the inflationary process have been exaggerated.

There are three chief mechanisms by which house prices affect wage settlements. First, house prices are an actual or prospective element of the cost of living for those buying or about to buy a house, even if this is not reflected in the Retail Price Index. Second and perhaps even more important is the effect on house prices on labour mobility. When house prices rise, those in the more *prosperous areas lead.* This makes it more expensive for those in less prosperous areas to move and increases the mismatch between unemployed people and unfilled job vacancies. Lastly, it may be that house price inflation in excess of retail price inflation is a cause of increased inflationary expectations. It could also conceivably be merely a symptom, in which case conclusions drawn here are overstated.

We have built upon the well-known Layard-Nickell real wage model for annual data to provide the empirical evidence. Included in Stephen Nickell's latest version of this model, the real *new house price of two years* ago and a regional house price difference both weighted by the proportion of owner-occupiers, shows both effects to be strong and stable over time.

According to our estimates, the forces that pushed up real house prices and regional differentials in the last three years have added, or will add, about 4 per cent to real wages and, because of feedbacks, much more than that to nominal wage inflation into 1988. Preliminary work with quarterly data confirms an average lag of two years, though some of the effects occur in the first year.

To explain why house prices *are not an ingredient in the* wage equations of any of the major macromodels, I suggest first the surprisingly long lag of their effect; second, the rapid feedback from earnings to house prices, demonstrated by the econometrician David Hendry, makes confusion between lagging house prices and earnings easy; third, wage equations *have not usually* included the theoretical sophistications of Layard-Nickell, and finally, in the past, with a lower proportion of owner-occupiers, house prices were less important.

Probably the single most important reason *for* recent rapid house price increases has been the disappearance in about 1981 of mortgage interest rationing. The housing market may be the major channel by which the money supply influences inflation directly rather than *via interest rates.* If this is so, it is ironic that, at the very time the monetarist cure *for* inflation was being most strongly implemented, the mechanisms effectively to control mortgage credit were being dismantled.

More fundamentally, there can be no doubt of the central role in house price inflation of mortgage interest tax relief, which has helped to guarantee real rates of return that, over the years, have overshadowed those on other assets. Given the effect of house prices feeding back into earnings, there was a potential tinderbox which again and again threatened to ignite. In the past, the lid was kept on by mortgage rationing, incomes policy and sometimes by high interest rates. In the 1980s, the lid has been high interest rates and *increasing* unemployment.

Let us consider the correct policy response. It should not be deflation through higher interest rates. The conventional view is that *raising interest* rates slows inflation by strengthening sterling, thus reducing import costs and cutting demand for goods. To these must be added the effect via the housing market. However, our empirical research reveals significant offsets. First, cutbacks in production, which reduce labour utilisation, increase unit *costs and prices.* Second, sudden shocks, whether positive or negative, result in additional hiring or firing costs and these get passed on to prices. Third, higher interest rates raise costs and prices. All three are reasons to avoid Stop-Go macroeconomic policies.

There are other, more long-term, limitations on the effectiveness of deflation, whether policy-induced or not.

Deflation eventually reduces the *effective* supply of labour and of productive capacity so that, when demand picks up, inflationary pressure is more likely.

The political arguments against higher interest rates and higher unemployment are even stronger than they were. Given the Government's commitment to wider share ownership, it could be disastrous for *electoral prospects if in the* next few months, interest rates have to be jacked up, producing capital losses for many new investors and reducing the cash flows of owner-occupiers.

Instead, the correct policy response should begin with the urgent repetition of the recent warning on mortgage lending by the Governor of the Bank of England. But the fundamental aim must be to re-set the tax signals which are at the core of the problem of house price inflation, now much exacerbated by the continuing liberalisation of housing finance. Capital gains tax could be extended to main residences and the "Schedule A" tax on imputed rent reintroduced. A good economic case can be made for these. Simpler would be the announcement of a phased withdrawal, over three years perhaps of mortgage interest tax relief with a politically advisable compensating reduction in the standard rate of income tax. The opposition parties would no doubt incorporate egalitarian elements in such a reform. But it seems virtually certain that if the basic element of this proposal were adopted by the Government, they would swiftly include similar proposals in their platforms.

Consider the consequences if such a package succeeded over the next year or two in rolling back the average level of nominal house prices to, say, that prevailing in 1984-85. It would impart a major deflationary impulse to the UK economy but one bearing largely on prices, rather than activity.

Wage inflation would fall, lower interest rates would be possible, not only because of the reduction in inflation but because of reduced levels of credit demand. Consumer borrowing, based on housing collateral, which is destined to increase further with the new freedoms of building societies, would fall or grow more slowly, bringing down the growth in monetary aggregates and in the volume of imported consumer goods.

House and land prices would fall by more than the average in London and the South-East where the speculative excess *has been greatest.* This would improve the conditions for regional mobility, make the labour market more efficient and reduce a source of inflationary pressure. An additional benefit would be that the rental market in housing would become relatively more attractive and better supplied. Moreover, conditions of falling house prices provide the ideal moment to reform legislation in the rented sector. Reform in the past has been stifled by the rent increases that would *have resulted from liberalisation.*

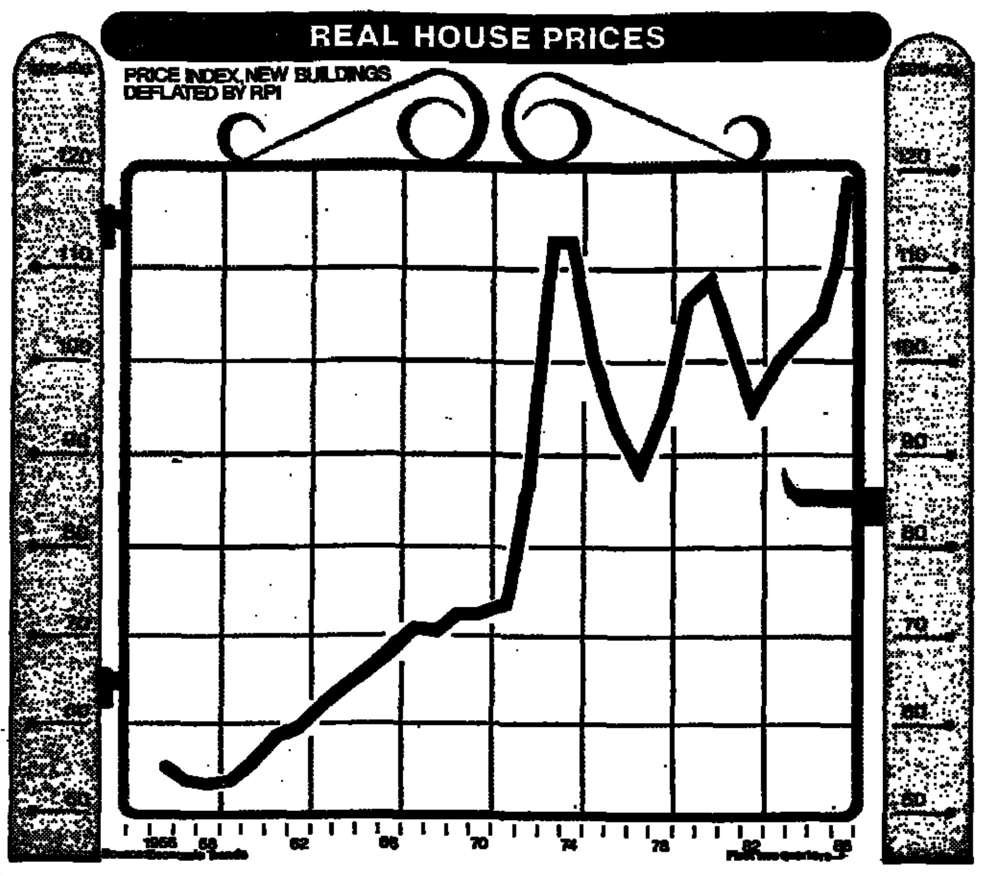
Who loses and who gains? The paper capital losses of owner occupiers are obvious but, for many, cash flows would improve. Those with holdings of gilts and equities would benefit from the appreciation made possible by falling interest rates. *New buyers should* benefit greatly and, since as an age group, many have been battered by unemployment, high interest rates and high house prices, that *seems fair.* The worst affected would be incautious lenders to the housing market: their capital security will fall at the same time as does their interest income.

There are two other policy options facing the Government. One is the re-introduction of mortgage rationing but this *now looks* infeasible. The other is an incomes policy of the Layard type that would operate through taxes on companies and which I favour as an additional weapon in the campaign against inflation.

Optimists will argue that basic reform is unnecessary: there are indications that house *price increases are slowing;* the CBI data suggests a slight fall of wage settlements in manufacturing; the August trade deficit was a statistical aberration; the adjustment of house prices and consumer debt to a new equilibrium after the removal of rationing in 1981 is almost complete and the new non-inflationary equilibrium is just around the corner. There may be something in all of these ideas. But the financial markets have become doubtful about the fundamentals and I *now share their doubts.*

If my analysis is correct, the present tax treatment of owner-occupancy threatens not only future growth and employment, but through the Government's commitment to stock market values, its own election prospects. For once, political advantage and a statesperson-like concern for the unemployed and the future of the British economy coincide.

**The author is a Fellow of Nuffield College, Oxford. Research for this article was undertaken with Olympia Bover.*



Lombard

Miracle tax cure now available

By Michael Prowse

THE Financial Times has wonderful news to share with its readers. A stunning, entirely new economic cure-all has come through extensive diagnostic trials in the US with flying colours. The miracle drug, known as Taxcuts, should shortly be available from European Health Centres.

Taxcuts is undoubtedly the most versatile drug since penicillin. The manufacturers say that, if applied in sufficiently liberal doses, it can make people work harder and save *more, make companies invest* more and grow faster, and, most surprisingly, make red ink disappear from public accounts. Yes, it's true. Taxcuts can actually increase government revenue because it leads to such fantastic growth of the real economy. You simply hand out money and buckets more comes rushing back.

As the *Manhattan Institute* argued last week, the availability of Taxcuts means that Europe is now on the brink of a Golden Age. Cynics hide your heads in shame. Taxcuts is the real thing: the answer to politicians' prayers. The drug is both a perpetual motion machine and a wholesome free lunch. It can make both the *public and private sectors* richer. It can reduce income inequalities. In fact, it can do almost anything.

Future purchasers of Taxcuts will want to know the story behind the drug's discovery. It is indeed a romantic tale and one which involves some of the great names in American medicine. You will all have heard of the breathtaking scientific ingenuity of Doctor Arthur Laffer, the man from an obscure Californian clinic who first found traces of Taxcuts on a hotel napkin. But have you heard of Doctors Paul Craig Roberts and Jude Wanniski, who forsook scholarly studies at prestigious Washington and Wall Street clinics to market the drug? But for them, the products of rival pharmaceutical firms, such as Reflation and Money Supply, might still be popular.

Ronald Reagan, however, has to be the biggest and most important name in the Taxcuts saga. As head of the US's National Health Centre, he cut through the intellectual debate and organised a nationwide trial of the drug. Starting in 1981, a massive dose of Taxcuts (a 30 per cent concentration over three years—enough to fell an ox) was applied to the US economy. The results are not yet all in, but so far look highly encouraging.

The Taxcuts medicine has certainly transformed the public accounts. After decades of oscillation between small surpluses and deficits, Doctor Reagan and his acolytes have produced the largest structural deficit in the history of mankind. Clearly, Taxcuts did not encourage a *spending spree of* unholy proportions; instead ordinary Americans worked harder and saved more. That's why the US is running the biggest trade deficit of its history and why the dollar has been more volatile than ever before, first going through the roof and then through the floor.

Record real interest rates and *the chronically unstable dollar* are just two of the reasons American industry is so grateful for Doctor Laffer's drug. At the beginning of this decade, US business was in the doldrums, losing market share to the dynamic Pacific Rim economies. It needed a tonic and has had one. There has been a flowering of entrepreneurship: America has never felt so competitive. Its competitive edge is proven by the vast trade gap — by the fact that nobody wants to buy American goods. *It is confirmed by the* flood of protectionist bills; businessmen only demand import barriers when they are feeling strong.

Eminent American doctors stress that Taxcuts has social as well as economic virtues. US society is renowned for its altruism and concern for the downtrodden. Doctor Reagan's prescription encourages the ordinary American to be even less selfish, to care even more about the general good, and even less about his own financial circumstances.

One can only hope that Taxcuts will prove as effective in Europe as in the US. We too want to be brought to our fiscal knees and turned into the world's biggest debtor. We too want forecasts of sluggish growth, low productivity and deindustrialisation. We too want to see the rich get richer and the poor poorer. We too believe in miracles.

Letters to the Editor

EEC conflicts of interests

From Mr M. Hutchings

Sir,—While wholly supporting James Flynn's view (October 14) that the Sutherland initiative on state aids is laudable, I do think it should be remembered that the people who suffer the consequences of this particular political football are companies trying to do business in the EEC.

As a result of the lack of publicly available information about notifications of aid schemes, a company that is offered some form of assistance by a member state government has to decide whether or not to accept the aid without being able to establish whether the aid scheme has been notified and approved by the Commission.

If the company accepts the aid and subsequently learns that the Commission is investigating the grant of the aid, any submission to the Commission by the company has to be made without knowing either the basis of the Commission's objections or the justification for the scheme as put forward by the member state concerned.

The Commission's current procedure in state aids cases disregards the interests of the recipient of the aid and treats state aids exclusively as an issue between the member states and the Commission despite the fact that if the grant is held to be unlawful it is the company that will have to repay it.

Michael Hutchings.
21 Holborn Viaduct, EC1.

Proposals for pensions

From Mr I. Walker

Sir,—Mr Michael Meacher may well describe as "ludicrous fabrications" (October 18) the Government's estimate of £16bn as the cost of his proposals for pensions — but he does little to dispel the electorate's justifiable anxieties over this matter.

Mr Meacher claims that he is being misrepresented and that his high spending plans will take time (but no more than five years) and that the Tories have quoted gross costs and that there are offsetting savings to reduce the burden (like supplementary and means tested benefits for pensioners).

Well a week may be a long time in politics and five years a lifetime in Parliament — but it is not so in pensions where five years for funding and/or spreading costs is but a beginning. And what of the offsetting savings? Are the Tories already delivering the goods to needy pensioners under their means tested benefits?

But we have yet to come to the real cost saver that reduces Mr Meacher's estimated expenditure to "a mere fraction" of that quoted by the Government — Labour has already promised part of the pension increase and thus they have been taken into account and should not have been included as part of the £16bn.

Mr Meacher makes spurious comparisons with European countries. In these he ignores the enormous contribution made by the UK occupational pension schemes to retirement income.

Iain B. Walker.
40 Ennismore Gardens, SW7

Finance for education

From Mr D. Heenan

Sir,—Peter Renard (October 20) is right in asserting that inadequate funds are put in to state education. The capitation inadequacy, however, understates the problem, because it is only part of the funding.

For years, all governments, but especially Mrs Thatcher's, have produced the old "company doctor's" trick of sacrificing genuine long term improvement for superficial short term financial gains. In education this has been by suppressing teachers' pay and virtually stopping all building and equipment maintenance. Falling school rolls have absolved the Government from much of the capital expenditure programme, but the neglect of both staff and facilities is only now becoming apparent. Teachers in the *most* needed areas of science and technology are leaving the profession and staff and children alike are expected to work in a run down, shabby or *inappropriate* environment.

The heartache of this is becoming obvious to any parent now. But the economic price will only become evident in years to come when an under educated, demotivated working population will perpetuate the nation's poor industrial performance.

While I respect Peter Renard's view that parent power needs to be given teeth, I feel that even properly motivated local education authorities alone cannot do the job. The constraints placed on local authorities by central Government are so great, that only a genuine long lasting change of heart by all political parties will rectify this problem, the result of which will not be seen for 20 years or more. The ballot box itself is inadequate, because it mixes so many issues. What is needed is massive lobbying of MPs and candidates to clarify to them why people are voting. The tragedy is that those most affected do not yet have a vote.

Duncan Heenan.
21, Gotherington Lane, Bishops Cleeve, Gloucestershire.

Shopping centres

From the Director, British Road Federation.

Sir,—The Minister for the Environment's promise to restrict the development of large shopping centres (October 15) may attract popular acclaim. Regrettably, right or wrong, it does nothing to address the problem of which these *proposed developments* are a symptom.

Perhaps he should begin by asking why they are proposed in the first place. Clearly the developers expect them to succeed. This in turn anticipates a wide measure of support from shoppers. One can only conclude that shoppers are inclined to favour such developments which can be reached by car as well as public transport and which offer ample parking space.

Compare this with the inconvenience, congestion and other factors which discourage shoppers from existing centres.

Urgent action is needed to redevelop our urban centres—by all means in public/private partnership—to provide facilities which cater, among other things, for the demands of personal mobility. Without this our cities will die. We need to cure the illness not supress the symptoms.

Peter J. Witt.
6, Portugal St, WC2.

Bias in the ballot

From Mr R. Selby

Sir,—The method used for selecting successful applicants for the recent TSB share issue requires widespread condemnation by all who value democratic principles. It is quite apparent that applications were balloted in batches, with no attempt being made whatsoever to achieve any equitable distribution where more than one member of a family unit applied. The result appears to have been that in many cases husband, wife and children have all been allotted shares, while in many others no member of a family received shares at all.

When Sir John Read gave as his stated aim the achievement of as wide a spread of share ownership as possible, most people also understood by this that the distribution would be as fairly allocated as possible. No attempt to achieve this seems to have been made. The result has been that many *families* have achieved a multiple profit on their shares, while many others have received nothing. This can hardly be deemed *democratic or even "fair"* in any sense of the word; indeed it lends the impression to persons who have not previously invested on the stock market that the whole procedure is little more than a gamble.

While a normal rejection following an equitable method of balloting would naturally have resulted in disappointment for many shareholders, it would not have left the sense of injustice that I write to express, which I believe was felt by many people, including those who were successful in their applications.

R. A. Selby.
34 Arden Road, N3.

Entirely fair basis

From Mr O. de Baer

Sir,—Mr J. Deeley (October 21) *suggests* that the TSB ballot discriminated in favour of single applicants. Our four applications (two adults, two minors, same surname, same address) were all successful. I thought that perhaps the TSB was trying to encourage long term investors through consolidation by families.

Anyway as far as we are concerned the basis chosen was entirely fair.

O. R. R. de Baer,
8 Gertrude Street SW10.

Development of energy sources

From Mr B. Skelcher

Sir,—I am amazed that Sir Christopher Cockerell (October 16) with all his engineering experience should insinuate that nuclear fission reactors will be needed for ever.

Looking back over our shoulder we see that Chadwick discovered the neutron just over 50 years ago. Prior to that time there could have been little if any thought of producing energy by splitting uranium atoms. It seems highly likely that in 50 (or maybe a 100) years' time energy sources far superior to nuclear fission will have been developed. Nuclear fusion is clearly one such possibility. Surely the present nuclear power stations are but a passing but important phase in man's development of energy sources.

B. W. Skelcher.
Summer Place, Goldings Lane, Leiston, Suffolk.

FINANCIAL TIMES
Thursday October 23 1986

Cautious Hong Kong hedges its bets

David Dodwell reports on the nervous mood pervading Hong Kong despite Queen Elizabeth's reassurances

THE commitment of Britain and China to the joint declaration that sets out the terms under which Hong Kong will be handed into Chinese sovereignty in 1997 "will be an assurance and an encouragement to you", Queen Elizabeth said on her arrival in the British territory this week.

But to decide whether confidence in the future has been restored by the Sino-British agreement one need only recall the unprecedented public campaign in Hong Kong over the past six months opposing the nuclear power plant that China plans to build at Daya Bay, close to Guangdong province's border with Hong Kong.

Underlying the campaign is not just a fear of nuclear power in the wake of the accident at Chernobyl in the Soviet Union, but a fear that Chinese bureaucrats will be in control of the plant. Many of those who doubt Peking's ability to run a nuclear power plant fear that it will similarly be unable to run a finely tuned economy like that of Hong Kong.

Many of Hong Kong's professional and middle classes are sufficiently nervous about the future to be investing large sums overseas. They are educating their children outside the territory, and many are actively seeking a foreign passport – preferably Canadian, American or Australian.

The British National (Overseas) Passport being offered by Her Majesty's Government for use by Hong Kong people as a travel document after 1997 has been recognised for what it is – something worth little more than the paper it is printed on.

The mood in Hong Kong, however, is far from one of unmitigated gloom. There is full employment, inflation hovers around 3 per cent and the stock market is reaching record highs, with share prices 40 per cent higher than they were six months ago.

The economy is likely to grow by about 5 per cent in real terms this year, with exports up by about 20 per cent. The scope for earning money remains greater than almost anywhere else in the world.

As one entrepreneur with substantial investments in Canada recently noted: "My investments in Canada are ensuring security for my family's future, but my investments in Hong Kong are ensuring my family's living." But even he would not admit to deep pessimism about post-1997 Hong Kong. In classic Chinese style, he said he was merely hedging his bets.

The most pressing concern to the Hong Kong Government is whether this widespread bet-hedging habit is draining such substantial resources out of the economy that critical investments for the future of the territory's industries are not being made. Officials would say the jury is still out.

Textile manufacturers have in the past year been heavy local investors. They were given little choice when the protectionists in the US administration forced through "country of origin" legislation that brought to an end Hong Kong's practice of having knitwear panels made in China.

But the electronics industry – Hong Kong's second most important manufacturing sector – is lacking investment at a time when big structural changes in the industry are needed if local manufacturers are to keep abreast with competitors in Taiwan and South Korea.

Mr Holger Kluge, until recently the head of the Canadian Imperial Bank in Hong Kong, estimates that since 1975 Hong Kong people have invested more than US$5bn in Canada alone – most of it in property.

Ms Andrea Eng, a partner in Colliers Macaulay Nicolls, one of Vancouver's most prominent property companies, estimates that Chinese interests own about 5 per cent of downtown Vancouver. They are understood to own a similar proportion of San Francisco's downtown property.

The Canadian Commission in Hong Kong estimates that in 1985 alone, about 8,000 migrants to Canada invested a total of C$1bn (US$719m). At present about half of Canada's immigrants come from Hong Kong.

Officials in Hong Kong insist that none of this need necessarily be bad for the territory. They point out that Hong Kong's most prominent businessmen – including Li Kashing, Sir Yue-Kong Pao and Lord Kadoorie – have been investing large sums overseas since 1967, when riots linked with the cultural revolution inside China spilled over into Hong Kong.

Yet this period has seen Hong Kong transformed from a ragamuffin colony full of shanty huts and sweatshops into a global force in trade and finance, with a standard of living comparable with many countries in Europe.

While 10,000 Hong Kong students are studying in Canada at any one time, more than 60,000 graduates from Canadian universities have returned to their homes in Hong Kong to work locally, adding immeasurably to the reservoir of manpower.

Officials also argue that few are investing anything but a small proportion of their wealth overseas. In a territory of less than 6m people, it is estimated that 150,000 families are millionaires in US dollar terms, and 1,300 are worth more than $125m.

The issue of confidence is another matter for the millions in Hong Kong who can never hope to earn enough to buy a foreign passport. Such "small potatoes", as they often self-effacingly call themselves, often feel that they have nothing much to thank the British for, and expect nothing much from Peking once it assumes power.

They have learned to survive in the past, and expect to continue to in the future. They are unlikely to be among the mainly expatriate throngs that have this week given Queen Elizabeth an enthusiastic welcome on her second visit in 11 years.

Many would share the views of Mr Martin Lee, the maverick political figure who has been a thorn in many sides since he was elected to the Legislative Council last year. Referring to the Queen's comments, Mr Lee said: "The Sino-British agreement is certainly insufficient as an assurance and encouragement – because two years have elapsed since its signing and there are clear signs which worry us.

"Will both Governments really give to Hong Kong a system of government which will ensure that the interests of the people will be protected when there is a conflict of interest between the central government and the Hong Kong special administrative region?"

But even Mr Lee would not admit to unmitigated gloom. If there were no hope, he argues, then there would be no point in spending so much energy campaigning over the territory's political future. While he devotes so much time to political activity, his potentially lucrative legal practice will continue to be neglected.

When he decides to throw in the political towel and pour his energies back into his legal practice – that will be the time to take out and dust down the "jittery city" theories.

Nato endorses US position at Reykjavik

BY DAVID BUCHAN IN GLENEAGLES, SCOTLAND

NATO DEFENCE ministers yesterday endorsed US negotiating proposals presented to the Soviet Union 10 days ago in Iceland, in a formal communiqué that papered over alliance differences on the future course of arms control.

At the close of their Nuclear Planning Group meeting at Gleneagles, Scotland, Nato ministers said the US proposals provided "the opportunity for historic progress", in the context of Nato policy to maintain "only the minimum number of nuclear weapons necessary for deterrence."

For the first time Nato as a whole stressed that there should be a link between reductions in medium and short range missiles in Europe.

Mr Casper Weinberger, the US Defence Secretary, said the US expulsion of 55 Soviet diplomats "should have no bearing" on the desirability and necessity of reaching arms control accords with Moscow. He called the US move "an appropriate response for an unjustified expulsion" of five US diplomats earlier from the Soviet Union.

The link between medium and short range missile negotiations arose out of an anxiety chiefly, but not solely, on the part of West Germany, that total removal of US and Soviet medium range missiles – as foreshadowed in Iceland – would leave Nato facing vastly superior numbers of Soviet shorter range nuclear weapons.

Alliance differences in tactics over whether to seek a zero-zero deal on medium range Euro-missiles separately or in conjunction with new limits on Soviet short range weapons, emerged in the communiqué.

Nato, on the one hand, warned the Soviet Union not to hold a medium range missile accord "hostage to any other agreement." Since the Reykjavik summit, Moscow has threatened to tie its removal of SS20 medium range missiles from Europe to resolution of its dispute with the US over Star Wars strategic defence research.

But almost in contradiction, Nato ministers also stressed that a medium range missile agreement should be "accompanied by other appropriate provisions" on Soviet missiles with a range of less than 1,000 km. Bonn is understood to want Moscow to negotiate on missiles with as short a range as 150 km.

Both Mr George Younger the UK Defence Secretary who hosted the NPG meeting, and Mr Weinberger yesterday emphasised that all nuclear and conventional forces must be taken into the equation of deterrence.

Of allied countries most affected by the latest US proposals, it was clear by the end of this meeting that West Germany was most anxious about shorter range missiles being left out of the potential accord on Euro-missiles.

Mr Weinberger won formal support from all countries except Denmark and Greece for his Strategic Defence Initiative research programme "as permitted by the Anti-ballistic Missile treaty."

Nato risks delay on missiles, Page 3

London Exchange analyses trading costs

BY CLIVE WOLMAN IN LONDON

THE London Stock Exchange yesterday published its first comprehensive analysis of the current costs of buying and selling securities which will serve as a baseline from which to measure the impact of next week's "Big Bang" deregulation.

The results show that the total commission received by stockbrokers for equity deals over the year to June 30 was £738m. Jobbing firms are estimated to have received another £100m from the profits (before expenses) made from their dealing spreads.

These figures are lower than expected and may force the larger financial conglomerates who have bought stockbroking firms to revise downwards their profits forecasts for the period after Big Bang.

The main reason for the low figure is that the average commission on deals in equities and government securities has fallen sharply over the last three years, from 0.58 per cent to 0.43 per cent, even before the minimum commissions scale is abandoned.

The survey also provides the first overview of the size of the market for stockbroking and market-making services. A more limited analysis was carried out in early 1983, but the results were not published as they involved issues in the case that the Office of Fair Trading was bringing against the stock exchange, which was settled later.

The surge of new entrants and fresh capital into the stock exchange is indicated in the updated figures, published in the survey, of the number of market-makers there will be from next week in each quoted security.

The exchange is pleased by the number of market-makers in the less actively-traded, "gamma" and "delta" stocks. "The market-makers have turned out to be more widely spread across the groups than we expected," said Mr Keith Goldie-Morrison, of the exchange's markets committee.

The stock exchange has also relaxed some of the requirements on market-makers and brokers to report their trades in gamma and delta stocks. The new ruling is that all such trades may be bundled together and reported only at the end of the day, with information on the timing of each trade.

The concession has been made partly because of the difficulties some firms are facing in using their new computer technology. But one firm, Credit Suisse Buckmaster and Moore, yesterday defended the stock exchange against those firms which criticised its central computers after Saturday's Big Bang dress rehearsal.

"We invested enough to make sure we had no problems in linking up with the stock exchange," said Mr George Lynne. "We have tested their system and found no problems. They are being unfairly criticised."

Electronics duel, Page 11

Moscow expels envoys

Continued from Page 1

plomats in the Soviet Union. He said in future the Soviet Union would limit the number of US diplomats to the US ceiling of 251 for Soviet diplomatic staff in the US.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said the Soviet embassy in Washington employed few US citizens while the American embassy in Moscow and its consulate in Leningrad employed many local staff, third-country nationals and US diplomats temporarily seconded to the US missions in the Soviet Union.

In future all these will be limited in number with all local Soviet staff being withdrawn, a ban on hiring

The US has long taken the view that many of the local Soviet workers, employed for example as drivers and cooks, are engaged in spying.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	20	68	Malta	F	25	77	Rhodes	S	22	72
Algiers	S	29	84	Edinburgh	F	6	43	Manchester	F	10	50	Rio de J'o	C	27	81
Amsterdam	C	11	52	Faro	S	23	73	Manila	F	33	91	Rome	F	23	73
Athens	S	23	73	Florence	C	18	64	Melbourne	—	—	—	Salzburg	R	11	52
Bahrain	S	33	91	Frankfurt	R	16	61	Mexico City	C	22	72	San Francisco	F	11	52
Bangkok	F	34	93	Funchal	F	22	72	Miami	S	19	66	Seoul	S	15	59
Barcelona	S	21	70	Geneva	C	15	59	Milan	S	19	66	Singapore	R	31	88
Beirut	C	24	75	Gibraltar	S	22	72	Montreal	Fg	5	41	Stockholm	R	4	39
Belfast	F	6	43	Glasgow	F	6	43	Moscow	R	11	52	Strasbourg	C	16	61
Belgrade	F	20	68	Guernsey	C	13	55	Munich	C	16	61	Sydney	C	24	75
Berlin	C	12	54	Helsinki	R	5	41	Nairobi	F	27	81	Taipei	C	26	79
Biarritz	S	21	70	H. Kong	F	27	81	Naples	F	21	70	Tangier	S	23	73
Bombay	—	—	—	Innsbruck	R	14	57	Nassau	F	29	84	Tel Aviv	S	26	79
Bordeaux	C	18	64	Inverness	F	5	41	New Delhi	S	28	82	Tenerife	S	27	81
Brussels	R	10	50	Islamabad	S	30	86	New York	F	13	55	Tokyo	C	20	68
Budapest	R	10	50	Istanbul	S	16	61	Nice	S	22	72	Toronto	F	9	48
B. Aires	R	26	79	Jakarta	C	32	90	Nicosia	C	26	79	Tunis	F	25	77
Cairo	F	27	81	Jersey	C	14	57	Oporto	C	19	66	Valencia	S	26	79
Cape Town	S	24	75	Jo'burg	S	27	81	Oslo	C	4	39	Venice	S	17	63
Caracas	C	27	81	Lima	C	20	68	Paris	R	16	61	Vienna	S	14	57
Casablanca	S	23	73	Lisbon	S	20	68	Peking	S	14	57	Warsaw	R	9	48
Chicago	C	10	50	London	C	13	55	Prague	F	15	59	Washington	F	11	52
Cologne	R	12	54	Los Angeles	F	16	61	Reykjavik	F	1	34	Zurich	R	14	57
Copenhagen	F	9	48	Luxembourg	R	15	59								
Corfu	S	23	73	Madrid	S	19	66								
Dallas	C	16	61	Majorca	S	24	75								
Dublin	—	—	—	Malaga	—	—	—								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dassault to cut jobs after fall in orders

BY PAUL BETTS IN PARIS

DASSAULT-BREGUET, the French state aircraft manufacturer, has been forced to make job cuts for the first time in the face of too few new orders.

The job reductions also come at a time of uncertainty inside the group over the appointment of a new chairman to succeed Mr Benno-Claude Vallieres, whose mandate expires at the end of this month.

The French group told a works council committee meeting yesterday that it would announce a job reduction programme next month. This is expected to involve about 700 jobs out of Dassault's total workforce of about 16,000.

The job reductions have been forced upon the company because Dassault has failed to offset the loss of the big Saudi Arabian defence contract for 72 jets which went to the rival European Tornado aircraft last September. Since then no new major contracts for its Mirage 2000 jets, including with Morocco, Jordan and Turkey, have been finalised largely because of financing problems.

Dassault has sold a total of 299 Mirage 2000s and has about 200 still to build.

Further uncertainties have come from the sluggish state of the small business aircraft market and the lack of a firm decision by the French Government on Dassault's new Rafale fighter prototype, which is intended to lay the basis for France's new advanced combat fighter aircraft scheduled to enter service in the mid-1990s.

L'Air Liquide rights

Continued from Page 1

Royere said yesterday that L'Air Liquide was not expected to need the full credit line since it had raised $50m from the sale of part of Big Three's oil service activities.

He said the French group was not interested in Big Three's energy businesses but in its industrial gases operations. Mr de Royere was speaking after a special shareholders' meeting in Paris yesterday which followed approval this week from the US Federal Trade Commission (FTC) for the French acquisition of the Houston-based company.

Further blow to UK oil industry

By Maurice Samuelson and Lucy Kellaway in London

THE RECESSION on the world oil industry claimed another victim yesterday when ITM, a major UK-based supplier of offshore equipment with 700 employees, called in receivers.

At the same time, two leading suppliers of North Sea oil and gas pipes, Brown and Root (UK) and Saipem, announced plans to merge their UK construction operations as a way of surviving the industry's problems.

Brown and Root (UK) is part of the US Halliburton Group and Saipem is the pipelaying and drilling arm of Italy's ENI State-owned energy group.

The plight of ITM, which is based in Middlesbrough north-east England, is the third blow to the UK oil industry recently. John Howard, which includes the Howard Doris fabrication concern, called in the receivers last month, and Carronhall Engineering, another offshore supply company, has been liquidated.

Peat Marwick, the receivers to ITM, said the group's employees would continue to work on existing contracts while opportunities for selling parts of the group were considered.

ITM has been built from nothing over the last seven years into a diversified group ranging from ownership of supply vessels and rigs to fabrication yards.

The latest moves are further evidence of the extent to which costly North Sea oil development is suffering from price cutting by the main Middle East oil producers.

They are likely to fuel fears among unions that up to a third of the 29,000 workers in the British offshore sector could be made redundant by the end of next year.

According to the UK Offshore Operators' Association, exploration in the North Sea is likely to be cut by about 40 per cent in the second half of this year compared with a year ago.

Brown and Root and Saipem said that with little prospect of making money from the North Sea for at least another three years, they wanted to finalise their merger by the end of the year in order to ensure their survival into the 1990s.

Mr John Collins, a Brown and Root executive, said in London that there had "never been such a rapid downturn in the history of the oil industry." By acting as a single operation, both companies hoped to survive the difficulties of the next three years and to emerge leaner and more efficient.

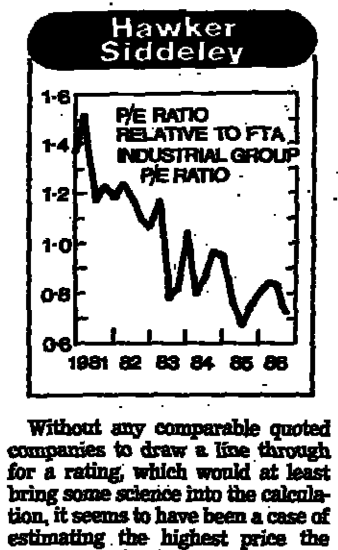
Mr Cesare Da Re, Saipem UK's managing director, said that although his company had avoided losing money in 1985, "the situation is deteriorating."

In British government circles the merger will be welcomed as a sensible rationalisation. It will also be seen as a timely boost to the UK's hitherto very weak pipelaying capability.

The would-be partners have yet to reach an agreed valuation of their assets, but would share a 1987 order book worth nearly £100m ($143m). More than half consists of Saipem's North Sea pipelaying contracts.

THE LEX COLUMN

Hard times for Hawker



Hawker Siddeley's results tend to catch the market unawares, being consistently much better or much worse than the run of expectation. On this occasion, Hawker's half-year profits were flatter than even the flattest projections in the City, at a virtually unchanged £72.1m. And such was the dispirited and equivocal mood in which engineering analysts trooped back from seeing Hawker in St James's Square that the shares carried on falling thereafter.

Down 32p to 415p on the day, Hawker has given up all the gains that flowed earlier in the year from connecting falling oil prices with thoughts of a boost to engineering demand. In fact, the balance of Hawker's customer base was tilted exactly the wrong way for falling oil prices to be good in the short term: it has lost Middle Eastern orders for diesels and generators, but has not enjoyed a compensating surge in oil-importing countries.

So far as the UK is concerned, engineering output peaked in the third quarter of last year, and the effects of falling demand are beginning to show in current profits across the industry. Hawker, though large and with the stability that comes from a diversity of product, is no exception.

Though Hawker can make a reasonable case for seeing a recovery next year (given the lags between orders and completions) it has a lot to do if it is to win back friends in the market. The relative decline of Hawker's shares over the past five years reflects doubts over a company that accumulated cash, and did not deliver the growth to compensate for its low level of dividend distribution. Now that Hawker has decided to acquire a scattering of technology businesses, with the intention of buying growth and ultimately raising its return on capital, the change of tack may have come too late to reverse the tide. If the dilution from making acquisitions turns out to be greater than from sitting on a heap of cash, Hawker's relations with the market are unlikely to improve.

Avis Europe

Morgan Grenfell's job of pricing the Avis Europe issue was even more delicate than usual. A flop would be especially embarrassing, while a big premium in early trading would annoy the sellers, Wesray.

Without any comparable quoted companies to draw a line through for a rating, which would at least bring some science into the calculation, it seems to have been a case of estimating the highest price the market would bear and taking a touch off for the sake of the aftermarket. The answer of a prospective p/e of 13.9 – perhaps 1½ points above the industrial index average – should see the issue away safely without giving too much to the stags.

Part of the difficulty is that Avis Europe before and after the float are like slimmer-of-the-year pictures in reverse. The prospectus shows a business starved of retained profits, which hampered fast expansion into fleet leasing, and without the ability to make acquisitions. Afterwards, with the benefit of £14m from the float and the dividend covered more than twice, Avis Europe will be better funded than ever before. So the compound earnings growth rate of 11.4 per cent a year over the last four years should now accelerate.

The balance sheet will also be changing for the better as Avis Europe switches its car fleet from short-term debt financed purchase to operating leases. That will alter the composition of profits, reducing the gains on car sales but also the depreciation and interest charges. Potential investors are still looking at a £278m company with net assets of £70m, where there is virtually no chance of a bid to boost the shares and the distant prospect of Wesray selling its 34.3 per cent stake.

Reliance/Mercury

Statements of present intention rank among the less enforceable of contracts. There is nothing easier (or more rational) than a change of mind in the light of altered circumstance. No doubt there is some good explanation for Mr Saul Steinberg's shift of attitude towards Mercury International over the 11 months since agreeing not to lift his holding in Mercury above 10 per cent.

Since Mr Steinberg could presumably have sold out when Mercury shares stood at 420p in June, it is a double-edged vote of confidence in Mercury to think about buying more shares 100p lower down. To do so gives Mercury a pat on the back in the last week before its structure is put to the full test of the open international market. At worst, Mr Steinberg must be taken as an arbitrageur – sorry, long-term holder – protecting his investment. At any rate, the latest evolution of his intentions was worth 30p on the share price yesterday evening: a hefty valuation of Mr Steinberg's changing whim.

Systems Designers

War is a terrible thing, but the Ministry of Defence can hardly be blamed for the collapse in profitability at Systems Designers announced in a special statement yesterday. The Levene regime of competitive tender may have slowed the process of evaluating bids across the whole defence field, but that has been known for a long time and certainly since Systems's rather confident interim statement two months ago. But Systems went on recruiting expensive humans to work on tenders for over 200 complex software jobs of a value greater than its annual sales; and the fact these people were doing nothing but increase overheads has done its bit to wipe out Systems' second-half profits.

UK defence contracting is only one area of Systems' overambition. For all the promise of its US defence software or Big Bang widgetry, Systems allowed misjudgments on product development or project management to eat up its fee-earning capacity: recruiting new people was simply not the answer, as Systems yesterday recognised with a freeze on both recruitment and R and D. Yesterday's announcement may have cut Systems' share price by a third, to 50p, knocking £30m off its market value; but at least Systems, unlike Logica, still has the equity to support even a trebling of its net debt.

INTERNATIONAL APPOINTMENTS

Top reshuffle at Cominco

BY BERNARD SIMON IN TORONTO

A SWEEPING reshuffle of senior management has taken place at Cominco, the west coast lead, zinc and fertiliser producer. The company was acquired earlier this month from Canadian Pacific, the railroad and industrial group, by a Canadian, West German and Australian consortium led by Teck Corporation of Vancouver, which has interests in gold and coal mining.

Mr Norman Keevil, Jr, aged 48, Teck's president, whose family are the controlling shareholders of Teck, takes over as chairman of Cominco. Teck's senior vice president in charge of mining, Mr Robert Halbauer, 56, becomes Cominco's president and chief executive officer. Mr Norman Anderson, the chairman and chief executive has taken early retirement.

Cominco's former president, Mr William Wilson, remains with the company, but with responsibility only for the metals division.

The board has also been reshuffled, with Teck and its partners — Metallgesellschaft of West Germany, the metals chemicals and trading group, and Australia's MIM Holdings, the mining and mineral processing concern, naming eight directors to replace Canadian Pacific nominees. Several board committees have been abolished, but one new group has been created to concentrate on restructuring and refinancing the debt-laden Cominco.

Mr Norman Keevil, Jr, whose family are controlling shareholders of Teck

A Teck official indicated that the new owners' highest priorities will include reducing Cominco's debt, which totalled C$674m at the end of 1985, while doeveloping its rich base base metal assets, which include the Red Dog zinc deposit in Alaska and the Highland Valley copper project in British Columbia. Cominco, Metallgesellschaft and MIM between them are expected to control about a third of the west's zinc output.

Mr John Lydall, mining analyst at First Marathon Securities of Toronto says: "The infusion of talent from Teck and its partners into the control positions at Cominco will be a positive influence because of their hands-on, entrepreneurial management style."

President quits Chemical New York

BY OUR FINANCIAL STAFF

MR ROBERT L LIPP has resigned as one of the three presidents of Chemical New York Corporation, a leading US bank holding company, to join Commercial Credit Company as senior executive for consumer services. Mr Lipp, aged 48, was in charge of Chemical's consumer banking unit. He takes up his new post on November 1.

About 71 per cent of the shares of Commercial Credit, formerly the finance unit of Control Data, the Minneapolis-based computer corporation, are being offered to the public this month under a plan devised by Mr Sanford I. Weill, the former president of American Express Company, the travel, banking and insurance concern. Mr Weill will become chairman and chief executive officer of Commercial Credit.

Mr Lipp leaves Chemical after a 23-year stint. He says the new job "represents a different and good opportunity." It is understood that he will have an equity interest in Commercial Credit. He earned $680,000 in 1985 as a Chemical president and director.

Mr Lipp will oversee Commercial Credit's savings and loan, sonsumer finance, insurance and other consumer-related operations.

He was involved with Chemical's retail banking strate including the development of credit card operations and home banking.

McDonald's picks young chief

By Our New York Staff

MR MICHAEL QUINLAN, 41, president of McDonald's, is to become chief executive officer of the fast food restaurant chain from March 1 next year.

His appointment follows the tradition of having young chief executives at the group. Mr Fred Turner, 53, who announced Mr Quinlan's promotion, was named chief executive by Mr Ray Kroc, McDonald's founder in 1973.

Mr Quinlan joined McDonald's in 1963 as a summer mail clerk while still studying at university. He rose through the positions of store manager, supervisor, district manager, regional manager, vice president, senior vice president, and president of the US business to his present post as president and chief operating officer of the corporation.

Mr Turner joined McDonald's in 1956, and also worked through the ranks. He was appointed president in 1968 when there were 967 stores with sales of $266m in three countries. Now sales top $11bn, from over 9,000 stores in 43 countries.

Mr Turner will continue as chairman of the board and will be chairman of a newly-formed executive committee. He says: "I feel it is time to pass the CEO baton to Mike.

"He is ready and I am comfortable the timing is right. Our McDonald's system will benefit from this evolutionary change and there is more than enough for everyone to do. McDonald's is and will continue to be a full-time commitment for me."

CBS reorganises publishing group

BY DAVID BLACKWELL IN NEW YORK

CBS, the US television and entertainment group, announced that Mr Peter Derow has left the post of president of its publishinug group, and that 14 members of his executive staff have also left.

Mr Derow, 46, who has held the post for five years, will continue as a consultant to CBS on publishing matters.

The changes in the publishing staff means that Mr Peter Diamandis, president of the magazines division, and Mr Harry McQuillen, president of the CBS educational and professional publishing division, will report directly to Mr Laurence Tisch, acting chief executive of the group.

Mr Tisch, chairman of Loews Corporation, the diversified insurance and hotels concern, which has a 24.9 per cent stake in CBS, took up the management of CBS after Mr Thomas Wyman resigned under pressure on September 10. He has been pushing for fewer maangement layers and quicker decision making, seeking to streamline the group and reduce costs in the face of weak television and advertising revenues.

Finance head of IBM

BY OUR NEW YORK STAFF

LEADING US computer maker, International Business Machines, which suffered a 27 per cent drop in third-quarter profits, has appointed Mr Frank Metz, 52, a senior vice president, as chief financial officer and head of the corporate finance and planning staffs.

He succeeds Mr Allen Krowe, 54, and also a senior vice president, who becomes corporate executive responsible for worldwide development and US manufacturing at two of IBM's four product groups, as well as for Rolm, which makes telecommunications equipment.

Mr Krowe's job is a new post. The two groups for which he has responsibility make and develop, among other products, personal computers, work stations, and small and intermediate sized computers.

Mr Metz, who was group executive for the information systems and products group, has also been appointed a member of IBM's management committee. He continues as a member of the corporate management board, as does Mr Krowe, who is already a member of the management committee.

The two groups now headed by Mr Krowe previously reported to Mr Jack Kuehler, 54, also a senior vice president. Mr Kuehler retains responsibility for the information systems and storage group and the infromation systems technology group

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Applicants should combine experience in the above areas with a knowledge of the money markets and a relevant professional qualification.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref. 2719 to G.J. Perkins, Executive Selection Division.

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

Our Client is an extremely successful British Group manufacturing a range of specialist products which are marketed internationally through their subsidiary companies. They have an impressive record of achievement in recent years and have established a strong market leader position for their product ranges.

Financial & Business Analyst

Up to £17,000 per annum Mid Kent

Each subsidiary company is organised on a profit-centred basis and works within a well defined and co-ordinated budget programme reporting financial performance to the international corporate finance function against a tightly deadlined monthly schedule. This appointment takes responsibility for monitoring the performance of the subsidiary operations and emphasis will be placed on the analysis and interpretation of accounting information prior to its submission to the Board of Directors. The person appointed must be capable of interpreting important trends and will be involved in co-ordinating budget programmes and developing long range Business Plans for the international Group.

Candidates are likely to be aged around 24/30, familiar with micro-based computer systems and trained in a financial discipline either as a qualified Accountant or as a business graduate with a financial specialism. The appointment will also appeal to a newly qualified Accountant from a professional office with good large audit experience who now wishes to move into an industrial business within a medium-sized multi-national company.

Career development prospects are attractive within the Group and are likely to be either towards further financial specialism or to an operational finance role. Relocation assistance will be given where appropriate.

Brief but comprehensive career details to or telephone: New Appointments Group, Personnel & Selection Consultants, NAG Business Centre, Second Floor, 89 King Street, Maidstone, Kent ME14 1BG. Tel: (0622) 55002.

nag New Appointments Group
Personnel Consultants

FINANCE MANAGER

required by the Port of Fujairah, U.A.E., to be fully responsible for the Port's accounts department, developing budgets and corporate plans. He will also undertake cash flow management.

Qualifications: A.C.A., A.C.C.A. or A.C.M.A., with experience of computer-based systems.

Previous experience in the port industry and the Middle East would be an advantage.

Salary: Dirhams 10,000 per month (£1,850 sterling approximately).

Married status with 42 days' leave a year plus normal fringe benefits.

Applications, with full curriculum vitae, to:

The General Manager
Port of Fujairah
P.O. Box 787, Fujairah, U.A.E.

Accountancy Appointments

£32,000 + MORTGAGE + EXECUTIVE CAR + PROFIT SHARE + PERFORMANCE BONUS

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SENIOR MANAGER – FINANCIAL ANALYSIS – London

Deregulation and heightened competition are altering the shape of the financial services market. As one of the UK's largest financial banking groups, our client has reacted quickly and effectively, ensuring maximum diversification and profit potential.

To strengthen their high calibre team of finance executives a senior management position has been created. Working at the sharp commercial end of the spectrum, you will liaise directly with general managers including the interface with the Merchant Bank and Treasury functions.

Your immediate objective will be to produce imaginative and commercially sound proposals to exploit business opportunities. This will involve detailed financial analysis and interpretation of complex issues, including an investigation of relevant company law, tax regulations and market implications.

In the prevailing atmosphere of dynamism and energy you will be offered tremendous personal challenge and satisfaction. Aged early 30's, a graduate qualified ACA from a Big Eight public practice, you will probably have spent at least three years in the commercial, industrial or financial sector, demonstrating a high level of achievement.

Candidates who can combine the above requirements with presence and first class interpersonal skills can be assured of excellent remuneration and career prospects.

To discuss the appointment in detail telephone Jane Easton on 01-242 6521 or send CV to: Personnel Resources, 75 Gray's Inn Road, London WC1X 8US.

Personnel Resources

International Careers

Young Accountants

British-American Tobacco Company Limited is part of B.A.T Industries whose turnover is in excess of £12,600 million. We operate worldwide with companies in over 50 countries and we are looking for ambitious accountants to develop a career in financial management.

You should be aged under 28, a graduate either ACA or ACMA currently employed in industry. You should now feel ready for a significant career move and have a desire to live and work overseas.

Your first appointment could be anywhere in our worldwide sphere of operations - Latin America, the Caribbean, Africa, Europe or the Far East - and is planned to rapidly build up your financial management skills and knowledge of our business.

For your future our policy is to offer positive career progression - in this case through a series of both international and U.K. assignments - to top management appointments in Finance and General Management. Posts command attractive starting salaries supported by a range of expatriate benefits.

Please write for an application form and further information to:

Geraldine Cable, British-American Tobacco Company Limited, Westminster House, 7 Millbank, London SW1P 3JE.

Alternatively phone 01-222 2610 and listen for details.

B·A·T

Group Finance Director (Designate)

London & Essex **to £27,500 + car**

Our client is a young dynamic Plc within the telecommunications industry. Exciting business plans have recently been agreed based upon a fresh injection of institutional finance which along with reinvested profits will allow major new product development. The Group already has an impressive blue chip customer base and is looking forward to a promising future.

There is now an immediate need for a high calibre manager to head up the financial function and to play an essential role in the Group's continued success.

The Group has offices in London and a factory in Essex. Your time will be shared between the two locations.

The role is one which will demand the combination of hands-on involvement, including the introduction of new computerised systems, as well as the ability to represent the company to banks, investors and auditors. Above average flexibility, commitment and communication skills will be essential personal requirements.

The successful candidate will be a qualified accountant (probably an ACMA/FCMA) having a clear intention to join a company with a short but successful track-record. You will be well versed in systems development in a manufacturing and marketing environment and are likely to be in your mid-thirties.

The competitive package reflects the importance of the position and it is intended that share options will be available after an initial period. Interested applicants should write to Nigel Bates FCA, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 359.

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Candidates (male or female) should have a first class background in personal tax work in public practice and should be able to demonstrate the qualities to achieve partnership either immediately or within the short term.

If you wish to be considered, please send your C.V. and Tax Technical C.V. to George Ormrod B.A. (Oxon) at our London address quoting reference No. 7165.

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India Buildings, Water Street, Liverpool L2 0RA. Tel: 051-227 1412
113/115 George Street, Edinburgh EH2 4JN. Tel: 031-225 7744
Brook House, 77 Fountain Street, Manchester M2 2EE. Tel: 061-236 1533

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DLA

Cranfield

FINANCIAL CONTROLLER

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Cranfield Institute of Technology has a high reputation for its services to industry in the UK and internationally in numerous areas of technological and management advancement. The Institute currently operates at Cranfield and Silsoe in Bedfordshire and at Shrivenham in Oxfordshire. Of the present turnover of £50m, some 85% is obtained from sales of services to industry. Substantial further growth is anticipated.

Functionally responsible to the Director of Finance, the financial controller will have a staff of 36 covering all aspects of budgetary control, accounting and management information for operating units at Cranfield which have a combined turnover in excess of £30m.

Applicants for this position must be well educated, qualified accountants who have attained management positions in industry. Alternatively, a management role in the accountancy profession may have provided appropriate experience. It is anticipated that this person will be heavily involved in computerisation and would be expected to have a high level of interest in the general advancement of technological development and education. Working with highly qualified colleagues, a confident and competent personality is essential.

In the first instance please send brief personal and career details to Douglas G Mizon quoting reference F836M at Ernst and Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

E&W Ernst & Whinney

MANAGEMENT ACCOUNTANT

Excellent Salary Negotiable **Southampton**

TELEVISION SOUTH PLC, the largest of the ITV Regional Companies, controls the independent programme service each day to some five million viewers throughout the South and South East of England.

The Company requires a Management Accountant for TVS Production Ltd, the main production company with studios in Southampton and Maidstone which provide programmes for TVS, the ITV network, Channel 4, and the world market. The successful candidate will be a member of a small Management Accounting team and be responsible for all aspects of budgetary control including direct costs, overheads and capital relating to the production service.

Reporting to the Finance Director, this key appointment calls for innovative problem solving ability and good inter-personal skills necessary for close co-operation with other areas of the organisation. Experience of computer Accounting systems and micro-computer applications is desirable. There are good prospects for career advancement within the Television South Group.

Candidates, preferably qualified ACCA/ACMA and aged 27-32 with 2/3 years experience since qualifying should apply in writing with a full c.v. to: Ray G. Skinner, Consultant,

Senior Management International

Executive Search Consultants

Landseer House
19, Charing Cross Road
LONDON WC2H 0ES

Joint Ventures Accountant

Elf UK PLC, the subsidiary of one of the world's leading energy companies, has substantial interests in the exploration and production of oil and gas both onshore and offshore.

We require an experienced Joint Ventures Accountant to become involved in all finance-related aspects of our joint venture activities. Responsibilities include the monitoring and preparation of billing statements, the review and initiation of cash calls, involvement in the negotiation of relevant sections of new agreements and liaison with technical departments on budget and cost control aspects of all joint venture activity.

Candidates are likely to be part-qualified accountants with several years relevant oil industry experience.

A competitive salary will be offered together with a first class benefits package.

Applicants should write with full career details, including current salary to:
Mrs. Hilary Jeanes,
Personnel Manager,
Elf UK PLC,
197 Knightsbridge,
London SW7 1RZ.

elf

FINANCE DIRECTOR

West Yorkshire **£27,000 + Prestige car + benefits**

Our client is a privately controlled group at an exciting stage of development. Its principal interests lie in the distribution and transportation of consumer products throughout the UK. The company has ambitious growth plans for the future.

Applicants for the position of Finance Director should be *young (probably* aged 27 to 32) graduate accountants (ACA preferred) with above average technical competence gained within a challenging commercial environment. The job encompasses all aspects of financial management as well as responsibility for the finance and DP departments. The company utilises up-to-date computer technology.

If you have the flair to operate effectively in a fast moving and demanding commercial environment calling for total commitment but offering an exceptional salary and benefits package, this appointment offers considerable scope for involvement in the commercial decision making of the business.

For an early interview please apply to Brian Daniels, (Managing Director), Daniels Bates Partnership Ltd., Leeds Office, Tel: (0532) 461671, *quoting ref: 86/2233FT.*

Daniels Bates Partnership

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Tel: (0532) 461671 (5 lines 24 hours).
Also at: Fountain Precinct, Leopold Street Wing, Sheffield S1 2GZ. Tel: (0742) 754015

DIRECTOR FINANCE & OPERATIONS

Wimbledon **Neg to £35K**

Our client has achieved impressive growth (profitable turnover approaching £3M) since it was established in 1978. There is an impressive blue chip customer base. The Board wishes to appoint a Director to take charge of finance and operations, freeing the founders to focus on sales and marketing to exploit the further growth potential of the company.

He or she will be an accountant with solid commercial experience, preferably in a manufacturing-orientated industry. Organisational, leadership and diplomatic skills will be critical in this pivotal job.

Salary negotiable to £35K, depending on qualifications and experience. Pension. Medical Insurance. Car. Assistance with relocation if necessary.

For further details and an application form please telephone Windsor (0753) 867175 (24 hours) quoting ref DM/525.

3i Consultants Ltd
Human Resources Division

Financial Accountant

£17,000 per annum

A leading Architectural Practice in London, W.1., require a recently qualified chartered accountant. Ideally seeking their first move into the commercial environment.

The successful candidate will be responsible for maintaining financial and accounting records for the Partnership which will involve consolidation and interpretation of information from many sources.

Please apply in writing "in confidence," with full details and current salary, to

The Personnel Assistant,
The Fitzroy Robinson Partnership,
77 Portland Place,
London W1N 4EP

Accountancy Appointments

Recently qualified Accountants

Two important financial opportunities to prepare you for senior management responsibility

These management vacancies are based within our Head Office in London and report to the Senior Financial Analyst, Trade. Your role will be concerned with creative techniques and forward planning rather than with routine accounting tasks.

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You'll be concerned with producing business and profitability analysis based upon management information. Extended work on long term strategic projects and ad hoc exercises will give variety and scope to the role, as will the considerable liaison with other functions which is integral to the job.

Responsibilities will include historic performance monitoring, budgetary review procedures, planning exercises, pricing reviews and investment appraisals.

Financial Analyst – Tenanted Trade and Property

You will be responsible for analysing, interpreting and advising on financial issues in this key area of our business. Both long and short term exercises, dealing with the analysis of annual budgets, monitoring income and expenditure against budgetary plans, and evaluating capital investment projects will provide tremendous scope and will involve close liaison with senior management.

Initiative combined with excellent written and verbal communication skills will determine your contribution to the company's profitability and your own career progression. In either role you will be dealing with key areas of the business, developing ways for increasing its scope and profitability.

The successful applicants who will be aged 25-28, will be offered attractive salaries negotiable according to experience and your potential for senior management responsibility. Generous benefits packages and job cars accompany both roles.

Please write to Mrs. Diane Childs, Personnel Department, Courage Limited, 32 Southwark Bridge Road, London SE1 9HS.

COURAGE LIMITED

Financial Controller

Involvement At The Highest Level

c.£24,000 + Car **London**

Our client is a world leader in advanced electronic data-link and networking systems, part of a multi-national corporation with a diverse product base ranging from computers, semiconductor products and display systems to deep-space communications.

An ambitious business plan to expand their £20m, 200 strong UK operation,requires dynamic and experienced management. Reporting directly to the General Manager, this is where you, as a professionally qualified member of the senior management team, must make a major contribution. Here, your proven business acumen and entrepreneurial flair will influence executive decision making.

Your experience will cover systems design, implementation and development ideally gained within the subsidiary of an American multi-national. Naturally, you will have excellent interpersonal and communication skills.

The opportunity for international career advancement is both real and exciting, with the seniority of the position reflected in a remuneration package which includes a fully expensed car. A relocation package is offered where appropriate.

For an initial discussion call **Tim Grundy** on **(0992) 552552** or alternatively send your C.V. direct to **Macmillan Davies, The Old Vaults, Parliament Square, Hertford, Herts. SG14 1PU.**

Macmillan Davies
FINANCE & ACCOUNTANCY

Play a central role in Financial Management

Burmah **c£20,000**

Add a new dimension to your experience by taking up this high profile role in Financial Management within the Burmah Group which is ready to embark on an exciting phase of expansion.

Having carried out significant reorganisation over recent months and having completed a successful rights issue earlier this year, this internationally operating group has considerable funds available for investment and must be regarded as having good growth potential.

As Group Management Accountant you will collate the reports from the several operating Divisions into a single set of Group Accounts. Equally important will be your creative and objective analysis of Divisional results in order to assist in the preparation of constructive, well reasoned and thoughtful interpretation and comment for the Main Board.

Qualified and with several years' experience, you have a flair for analysis and interpretation of accounts.

Future prospects are good and working conditions are excellent. Based in Swindon, you will be able to appreciate the benefits of living in this delightful part of the country.

An attractive salary and a comprehensive range of benefits including relocation assistance is available.

In complete confidence, please ring or write to **John Diack, Director,** at—

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The secret is to take people into account

British Airways became the world's favourite by putting people first, and that includes our staff. So now that we're looking for an Accounting Manager for our Pension Scheme — at £2.2 billion, one of the country's leading schemes — we're naturally looking for someone with the presence and personality to take people into account as well as figures.

Someone who can combine man-management abilities with Accounting expertise, and provide incentives for continuous high performance.

Naturally you'll need a general and investment accounting background and proficiency at producing annual reports and accounts, with a working knowledge of overseas tax and VAT.

But above all, we're interested in how you'll handle responsibility for your team of 14 people who are used to operating in a fast-moving, stimulating and boredom-free environment. If your people management skills can cope with keeping the team informed and enthusiastic, that's precisely what we'd like to hear.

Ideally you'll be an FCA with a degree, with a background in a large financial institution, but the letters after your name are less important than your broad experience and flexible response to the changing demands of British Airways.

Based at Osterley, Middlesex, the appointment carries a remuneration package of around £20K plus a car and all the advantages you'd expect from British Airways, including favourable holiday travel opportunities, holiday bonus, contributory pension scheme and profit sharing.

Please send your full c.v. with details of current salary, to: Gillian Fagg, Recruitment and Selection, Ref. GF/6, British Airways Plc, "Meadowbank", P.O. Box 59, Hounslow, Middlesex TW5 9QX.

BRITISH AIRWAYS

FINANCE DIRECTOR (DESIGNATE)

Glasgow **£18,000 – £20,000 + car**

A commercially minded accountant is required to fill this key position in an £8 million turnover business which is part of an expanding £300 million international group. This profitable, well-established operation is a market leader in a distributive industry with considerable growth potential.

The Finance Director (Designate) will be responsible, with a staff of 20, for the entire accounting and data processing functions. The successful candidate will report to the Managing Director, working closely with him to maintain and further develop the success of the business.

Applicants, preferably aged 35-45, must be computer literate, qualified accountants who combine a service industry background with exposure to sophisticated financial controls. They must be able both to relate to a sales orientated environment and to work effectively with entrepreneurial senior executives.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref. 2718/FT to G. J. Perkins, Executive Selection Division. Interviews will be held in Glasgow.

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011.

Chief Financial Accountant

West Midlands **Circa £19,000 + Car**

Tarmac Quarry Products is the national leader in quarrying and processing construction aggregates and road surfacing. We are also a major supplier of ready mixed concrete and mortar to the construction and building industries, with a £400m turnover and a workforce of 7,500.

Reorganisation at our Head Office in Wolverhampton has led to the appointment of an accountancy professional to manage the Central Finance Department. Responsible to the Director of Finance for the consolidation of financial and management information for our U.K. and Overseas Companies, you will determine and review new and existing financial controls and assist in the investigation of potential acquisitions.

The need is for a qualified Chartered or Certified Accountant with at least 5 years post qualification experience gained within a large organisation. With outstanding technical and management ability and well developed communication skills, an essential requirement is a working knowledge in all aspects of financial reporting and taxation matters.

You can look forward to a generous salary, executive car, BUPA and a range of large company benefits including relocation assistance.

Please write with full c.v. or telephone for an application form:
Alan Williams, Personnel Manager, Tarmac Roadstone Holdings Limited, Roadstone House, 50 Waterloo Road, Wolverhampton WV1 4RU. Tel: 0902 22411.

Tarmac
ROADSTONE
Tarmac Quarry Products

Group Finance Director

East Midlands **Min. £30,000 + Bonus + Car**

Our client is a group of companies engaged in the process industry and is a market leader in its field. Its history of rapid growth and profitability is expected to result in a successful USM floatation within a couple of years.

Working closely with the Managing Director the successful applicant will assume total responsibility for the finance, data processing and company secretarial function. Specific duties will include financial and strategic planning, business development, liaison with the City and preparation for the floatation.

Candidates, aged 30-40, should be qualified accountants with a strong technical background together with highly developed inter personal skills and commercial awareness. The ability to command respect and present a professional corporate image to financial institutions is a prerequisite.

A substantial remuneration package is offered including full relocation expenses and other benefits. Applicants should write to **Rod Shaw**, quoting **Ref: 3257**, at **Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX. (0602) 410130.**

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International Recruitment Consultants
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WORLD TRAVEL OPPORTUNITIES

NEG. TO £20,000 **+ GENEROUS EXPENSES**

Our client is a US MULTI NATIONAL with annual turnover c $1,500m employing over 12,000 people worldwide in one of TOMORROWS INDUSTRIES.

They urgently require three young qualified ACAs or equivalent in the probable age range 25-30 to fill vacancies arising from INTERNAL PROMOTION.

Ideally successful candidates will have a fluent second European language, especially GERMAN OR ITALIAN, but this is not a sine qua non. A FAST TRACK career in this successful company awaits YOU!

Please telephone and send cv to:
Tim Wingham, ACA
ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7739/7695
or 01-637 5277 ext 281/282

Accountancy Appointments Europe

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Also appears today on Page 21

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Telephone: 021-643 6201

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Black and Decker are the world's leading power tool manufacturer. As part of their succession plan a key finance opportunity has been created.

Your primary objective will be to contribute to the development and direction of business and to provide strategic planning information as an integral part of the UK planning function. This will mean a highly active involvement with operational managers.

Aged 28–33, and a Qualified Accountant, it is of paramount importance that you have a proven record of achievement.

For further details please contact:
Equity & Law House,
33/39 Grey Street,
Newcastle NE1 6EE.
Telephone: 091 232 4111

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday October 23 1986

Offshore order lifts Swedyards turnover

By Sara Webb in Stockholm

SWEDYARDS, the Swedish state-owned shipbuilding and engineering group, reported profits (before allocations and taxes) of SKr 69m ($10.1m) in the first eight months against SKr 30m in the corresponding period last year.

Invoiced sales rose 41 per cent to SKr 5.947bn, helped chiefly by a large order placed with the Goetaverken Arendal offshore yard by North Sea Sun Oil for a semi-submersible platform.

However, the group has not given a forecast for the whole year because it is still uncertain about the consequences of its involvement in Consafe, the Swedish offshore services group which went bankrupt a year ago.

Last year, group operating income after financial items was SKr 41m, but because of extraordinary costs connected with the closure of the merchant shipbuilding operations at Kockums, the group reported losses of SKr 519m before capital contributions, allocations and taxes. Invoiced sales amounted to SKr 6.985bn in 1985.

The newlyformed Kockums Marine Company is involved in underwater technology and engineering projects and will develop the new generation of submarines for the Swedish navy.

Goetaverken Arendal, the offshore yard, and Citgo, which specialises in marine and industrial maintenance, both showed poor results because of difficulties in the offshore and ship-repair sector.

Skandia sees 165% rise at year-end

By Sara Webb in Stockholm

SKANDIA, the Swedish insurance group, expects operating profits for the year to reach SKr 350m ($51m), an increase of 165 per cent on the 1985 figure of SKr 132m.

The main reason behind the increase is a reduced loss on the group's insurance business. The loss for 1986 is forecast at SKr 250m, compared with Skr 670m last year.

Total income from premiums is expected to reach SKr 8.7bn against SKr 8.67 bn last year.

The group has had to make a large provision because of a recent court case in the UK, although it is appealing against the decision.

Skandia reports a better outlook for the international insurance business, with a noticeable improvement in the US.

International life insurance is showing a strong growth in premiums, chiefly in the British subsidiary – Skandia Life.

Lower interest rates on the international capital markets, increased returns on bonds and better performance in several stockmarkets have also helped the group's results.

Postipankki in bank purchase

By Olli Virtanen in Helsinki

POSTIPANKKI, Finland's post office bank, has bought the Mortgage Bank of Finland, which used to be the foreign borrowing arm of the Bank of Finland. The sale price has not been disclosed.

The Mortgage Bank has raised local and foreign currency loans, initially for the government but in recent years for industry, mainly for environmental protection and energy-saving investments. The bank's balance sheet at the end of last year stood at FM 2.9bn ($596m).

Johnson & Johnson up strongly despite charges

BY DAVID BLACKWELL IN NEW YORK

JOHNSON & Johnson, the leading US maker of health-care products, has announced a strong third-quarter advance in profits and revenues.

Net income for the quarter advanced to $179.7m, or $1.01 a share, from $158m, or 87 cents a share. Sales rose to $1.78bn from $1.6bn.

For the nine months, however, the net figure was well down at $233m, or $1.30 a share, from $486m or $2.66 previously. This reflected one-off charges totalling $335m to cover the write-down and sale of Technicare, its medical imaging business, the consolidation of some businesses, and the decision to withdraw from making and distributing medicines in capsule form.

The last decision followed the poisoning of some Tylenol painkiller capsules, the group's most popular and profitable product, which is being marketed in alternative forms.

At the operating level, group profits for the nine months were $568m on revenues of $5.26bn, up from last time's $4.76bn.

The group said that changing exchange rates had lifted sales for the nine months 5.2 per cent.

Colgate-Palmolive, the second largest maker of detergents, toiletries and other household products in the US, edged ahead in the third quarter. Profits reached $48.1m, or 68 cents a share, against $46m, or 58 cents last time.

At the nine-month level the group earned $147.5m, or $2.09 a share, against $142.9m, or $1.75.

Sales were also ahead, rising to $1.28bn from $1.14bn in the quarter, and to $3.74bn from $3.37bn in the nine months.

Mr Rueben Mark, chairman, said the third-quarter increase was achieved in spite of the costs of introducing to the US an automatic dishwasher detergent and a tartar-control toothpaste.

Fairchild Industries returns to profit

BY OUR NEW YORK STAFF

FAIRCHILD Industries, the US aerospace group which was hit by heavy losses on a joint project with Saab of Sweden last year, returned to profit in the third quarter of $7.67m against a loss of $77.58m in the same period of 1985.

The results included an extraordinary credit this year of $2.9m for tax-loss carryforwards, and were achieved on sales of $236.3m against $220m in 1985. Per share earnings amounted to 32 cents compared to a loss of $5.89.

In the first nine months this year, net income was $18.7m, or 67 cents a share, against a deficit of $170.9m in 1985, or $13.25 a share. Sales in the nine months rose to $700.5m from $584.2m.

Results for the third quarter benefitted from higher profits in the group's aerospace products division, and in the company's telecommunications subsidiary, Mr James Wilson, chief financial officer, said.

The company warned that it might have to take additional losses on its T-46A trainer aircraft project, which is running out of federal funding and has no certainty of future backing from the authorities. If the programme were discontinued, it added, the impact of any losses could be minimised by the sale of related assets.

Christiania Bank hopes to see further growth

BY OUR OSLO CORRESPONDENT

CHRISTIANIA BANK, Norway's second largest banking group, reported a 52.2 per cent rise in pre-tax profits for the first eight months of 1986. The pre-tax profits were NKr 904m ($124m) compared with NKr 594m a year earlier.

Total assets by the end of August were NKr 94.4bn which is NKr 32.6bn or 52.8 per cent more than a year earlier.

The group expects continued growth throughout 1986 and expects profits to keep pace. Profits per share for the year as a whole will be close to NKr 70 according to Christiania's own estimates. The shares were traded at NKr 203 at the Oslo Stock Exchange yesterday.

Christiania's managing director Mr Tor Moursund, said yesterday that cost control and strong growth in business volume lies behind the strong eight-month figures.

Unlike its Norwegian competitors, the group will not suffer losses of great significance on bad loans this year. Estimated total losses on credit for 1986 will amount to NKr 250m or 0.5 per cent of total assets.

Net interest income and commissions for the first eight months this year were NKr 1.4bn which is NKr 337m or 30.4 per cent more than a year earlier.

The group said that the Norwegian credit markets had been "unrestful" in the last few months. Interest rates in the money markets rose in connection with the devaluation of the Norwegian krone in May and the authorities have sought to keep interest rates high to reduce demand for credit.

What is referred to as other income amounted to NKr 867m which is 31.8 per cent more than a year earlier. A large part of this is profits on currency trade, which has come to be an important source of income for the major Norwegian commercial banks.

Other activities, however, did not grow at the same pace as before, the bank said.

The Christiania group consists of Christiania Bank with subsidiaries and partly-owned companies in Norway, subsidiaries in Luxembourg, Stockholm, London and New York, and a branch bank in Singapore.

The group has announced plans to reorganise its international subsidiaries into branch banks in order to carry more weight in the international banking market.

CIC expects slowdown

BY DAVID HOUSEGO IN PARIS

CREDIT INDUSTRIEL et Commercial (CIC), the fourth largest French banking group, yesterday reported a 70 per cent rise in pre-tax consolidated profits for the first half but does not expect to maintain the same momentum throughout the year.

Pre-tax earnings for the group which includes some 30 Paris-based and regional institutions rose from FFr 560m ($88m) in the first half of 1985 to FFr 952m for the same period of this year. The increase was despite a sharp rise in provisions which rose from FFr 385m to FFr 768m.

Mr Jean Dromer, who took over the group as president in July, attributed the provisions rise to more prudent accounting practice and to taking advantage of French tax regulations to strengthen the group's capital resources.

Recovery at FCA continues

By William Hall in New York

FINANCIAL Corporation of America (FCA), parent of the West Coast savings bank group which almost failed in 1984, is continuing its financial recovery and earned $11.6m in the third quarter after a threefold increase in its loan-loss provisions to $76.2m.

The quarter compares with $12.3m for the same period a year ago when the company set aside a $25.6m loan-loss provision.

For the first nine months of 1986 FCA has earned $72.2m or $1.69 a share compared with a loss of $43.7m or $1.56 a share, in the same period last year. FCA shares, which have traded between $17¾ and $6 over the past year, slipped $¼ to $7¼ in early trading yesterday.

Mr William Popejoy, who was brought in as FCA's chief executive by US savings bank regulators said the company's future looked positive. "Although we still have certain problems, I believe they are manageable," he said.

The group's scheduled items, roughly equivalent to a bank's non-performing loans, fell from $1.83bn at the end of June to $1.77bn or 5.2 per cent of total regulatory assets, at the end of September.

However, Mr Popejoy warned that due to possible problems with some large groups of loans made to major borrowers, it was possible that the group's scheduled items could increase in the final quarter. Mr Popejoy said most of these possible problem loans originated before 1983. He added that since 1984 the overall quality of new loans had considerably increased.

German deal for Cap Gemini

By Our Paris Correspondent

CAP GEMINI Sogeti, France's leading computer services company, yesterday strengthened its position in West Germany with the purchase of a German industrial data-processing company.

Cap Gemini said the acquisition of Ibat, based in Essen and specialising in process control and robotics, amounted to a doubling of its West German operations. The group will now have a turnover in West Germany of DM 50m ($25m) a year and employ 250 engineers and technicians.

The Cap Gemini move follows a fresh fund-raising move by the group in which it is seeking a further FFr 489m ($75.2m) through a share issue. Last June the group raised FFr 587m through an issue of bonds with warrants.

The group said yesterday that the new acquisition and the fund-raising were in line with its strategy of re-inforcing its position within Europe wherever it deemed its market share insufficient.

Setback for Wang in first quarter

By Terry Dodsworth in New York

WANG LABORATORIES, the struggling Massachusetts-based office equipment manufacturer, suffered a further setback in the first quarter of its current fiscal year when it lost $30m against earnings of $7m in the same period last year.

The loss, equivalent to 19 cents a share against a 5 cents profit in last year's quarter, was incurred on sales of $567.9m compared to sales of $560.9m in 1985.

Wang blamed the loss on sluggishness in the US economy, which caused flat revenues and continued to depress performance.

It said the lower-than-expected revenues were particularly felt in high-end systems, making a disproportionate impact on operating results because of the higher gross profit margin on these products.

The company was also continuing to be faced with heavy costs associated with its investment in new communications and service businesses. These costs depressed operating results by $11m, the company said.

Dr An Wang, chairman, sounded an optimistic note on the future of the group despite the losses in the quarter. In his statement, he pointed to continued growth in international markets, particularly Europe, and a firming of demand in September which produced a record for new orders received in a three-month period of $701m.

He also stressed that the group's expenses in the quarter did not yet reflect the full benefit of the voluntary early retirement and separation programmes completed during the quarter. This reduced monthly spending about $5m.

Salomon Inc boosted by securities business

BY RODERICK ORAM IN NEW YORK

SALOMON Inc and Morgan Stanley, two leading Wall Street firms, have reported higher third-quarter earnings from securities business although Salomon's overall result was dragged down by its Philipp Brothers commodity operations.

Salomon's net income for the three months ended September 30 eased to $128m, or 85 cents a share, from 139m, or 94 cents a year earlier. Revenues fell to $5.05bn from $6.99bn. Year-to-date net income was $435m, or $2.79 a share on $16.99bn against $425m or $2.75 on $19.3bn a year earlier.

Pre-tax income in the latest quarter for Salomon Brothers, the securities arm, rose to $225m from $191m a year earlier on revenues of $1.5bn against $1.35bn, and to $661m year-to-date from $573m, on revenues of $4.73 against $3.5bn.

The results included a $3m charge in the latest quarter from the repurchase of an additional $21m of the company's debentures and a gain in the nine months of 1985 of $11m from the disposal of a marketable security.

In contrast, the Philipp Brothers (Phibro) commodity operations reported pre-tax income of $38m in the third quarter against $83m a year earlier on revenues of $3.55bn against $5.63bn. Year-to-date pre-tax was $169m on revenues of $12.26bn, down from $268m on $15.74bn a year earlier.

Mr John Gutfreund, Salomon Inc's chairman, said: "Overall profits were constrained by lacklustre results from the commodity operations." This was despite the operations of Phibro Energy Cape returning to a $3m profit from a $8m loss in the second quarter. Year-on-year, however, all Phibro operations were down.

Morgan Stanley reported third-quarter net income of $39.53m, or $1.57 a share, compared with $25.8m, or $1.30 a year earlier.

Revenues rose to $554.28m from $401.58m, for the nine months ended September, net income doubled to $143.04m or $6.11 a share, from $72.22m, or $3.63, a year earlier on revenues of $1.83bn against $1.25bn.

In the light of volatility and high volume in securities and foreign exchange markets in the third quarter, the company expressed satisfaction with its performance.

Investment banking performance was also strong, particularly in the field of corporate restructuring, it added.

Ashland Oil climbs to $208m for year

BY OUR NEW YORK STAFF

ASHLAND OIL, the biggest independent refiner in the US, has posted its best year-end result since 1979, with net income for fiscal 1986 at $208.6m, or $6.15 a share, compared to $146.7m, or $4.12 a year ago. The figures featured substantial gains from the sale of operations.

Mr John Hall, chairman and chief executive, said the group had had an "excellent year" with a 34 per cent advance in operating income.

"This substantial improvement is due to record results from petroleum, chemical, and engineering and construction operations, and increased equity and royalty income from Arch Mineral," he said.

Sales declined, however, reflecting the fall in world oil prices. For the year they were $7.37bn, against $8.24bn, and for the fourth quarter they fell to $1.7bn from $2.21bn.

Fourth-quarter net earnings were lower at $34.3m, or $1.03 a share, compared with $46.4m, or $1.34 last time. Special items – mainly a $10m charge for reserves associated with a joint venture ethanol operation – reduced the latest quarter net by a total of $11m.

Mr Hall was optimistic for 1987, although he did not expect refinery margins to equal the high levels attained in the third quarter.

Weyerhaeuser boosted by lumber sales

By Our New York Staff

WEYERHAEUSER, the US forest products group, reported a 61 per cent rise in third-quarter net profits on the back of strong lumber and plywood markets and continued improvement in pulp and containerboard markets.

The group said its newsprint, property and financial services sectors also boosted earnings, which reached $62.2m, or 44 cents a share, against $38.6m, or 24 cents a share.

Sales for the quarter rose to $1.48bn from $1.29bn in spite of what the group called the "substantial" impact of strikes. Most of its Western US plants were closed for 40 days in the quarter, and Canadian operations have been idle since July 22.

Comsat alters focus following merger

BY WILLIAM DULLFORCE IN GENEVA

COMMUNICATIONS Satellite (Comsat) intends to refocus its efforts on military and civilian work for the US Government and on private satellite systems for US business following its merger with the US telephone company, Contel, Mr Irving Goldstein, chairman and chief executive officer, said.

Comsat, the biggest private satellite enterprise in the US, recorded a net loss of $41.5m last year, mainly due to a $120m write-down on two direct-broadcast satellites, for which it had not found customers. It has just reported net earnings of $37.8m on a $349.8m turnover for the first nine months of 1986.

Comsat has a 25 per cent stake in Intelsat, the network which carries at least half of all telephone calls between the US and the remainder of the world, but it has burnt its fingers in various attempts to diversify.

Recently it has been disinvesting from unprofitable businesses. The tie-up with Contel is intended to provide it with the financial and marketing strength to exploit its technical advantages.

Mr Goldstein was in Geneva for the listing of Comsat stock on the three Swiss stock exchanges, Zurich, Geneva and Basle. It is the company's first listing outside the US but Comsat may seek a London listing once the merger with Contel has been completed in six to eight months.

Contel, which operates local telephone companies in 30 US states, has been growing annually by 5 per cent and has a yearly turnover approaching $3bn. The merger is being effected through a stock swap under which Contel shareholders will obtain 0.94 of a Comsat common share for each of their Contel shares. The annual dividend payable on the Comsat shares after the merger is to be raised from the $1.20 paid last year to $2 a share.

Comsat will seek authorisation for the issue of 72m new shares from a special meeting of shareholders towards the end of January or in February. The merger requires the approval of the Federal Communications Commission and the Department of Justice.

Under its terms Mr Charles Wohlstetter, Contel's chairman, will become chairman of Comsat, and Mr John Lemasters, Contel's president and chief executive, will serve Comsat in the same capacity.

Mr Goldstein will be vice chairman with responsibility for Comsat's business in the federal government market. Mr Marcel Joseph, currently president and chief operating officer of Comsat, will retain his title and concentrate on non-regulated business.

Deregulation of US telecommunications by the Reagan Administration and the introduction of fibre-optic cables capable of replacing satellites as a means of communication have both provided tough competition for Comsat.

Earlier this month, however, Comsat announced the introduction of a new satellite-tracking technique that will cut fuel consumption, lengthen the life of existing, already depreciated satellites and make new ones more cost-competitive with fibre-optic cables.

A financial restructuring of the company is already well advanced, according to Mr Goldstein. Comsat has sold its Environmental Research and Technology subsidiary and its interest in Satellite Business Systems. It has pulled out of home reception systems for satellite television transmission as well as out of direct-broadcast systems.

A tighter, more specific financial accounting and forecasting system has been put in place internally and marketing activities are being reorganised on a decentralised pattern.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE OCTOBER 17 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.805	−0.328	10.730	8.738
Australian Dollar	14.322	0.357	14.630	12.830
Canadian Dollar	10.505	−0.624	11.750	10.373
Euroguilder	5.804	−0.343	6.314	5.804
Euro Currency Unit	8.835	2.033	9.524	8.164
Yen	6.432	1.100	7.250	6.207
Sterling	11.478	0.596	11.932	9.751
Deutschemark	6.454	0.467	7.210	6.318

Bank J. Vontobel & Co Ltd, Zurich - Telex: 812744 JVZ CH

INTERNATIONAL COMPANIES and FINANCE

Carling O'Keefe chairman resigns

By Bernard Simon in Toronto

TWO YEARS of turmoil at Carling O'Keefe, the Canadian brewing, energy and sports promotion group controlled by Rothmans of Pall Mall, have culminated in the abrupt resignation of Mr Roderick McInnes, the chairman, president and chief executive.

Carling declined to give any reasons for the departure of Mr McInnes, who joined the company 10 years ago as head of its brewing operations. No replacement has been named, but Mr Pierre des Marais, chief executive of Canadair the Montreal-based aerospace group, becomes non-executive chairman. Mr des Marais has been on Carling's board since 1983.

Rothmans has taken an increasingly active part in Carling's management in the past year in an effort to put the company on a more even keel following a number of setbacks.

Carling was riding high in 1984 after a highly successful launch of Miller High Life beer in Canada. But its share of the C$4.8bn (US$3.45bn) Canadian beer market has shrunk from 30 per cent to 23 per cent in less than three years, due partly to its late move in packaging its other brands into long-neck bottles with twist-off caps. The company wrote off C$20.6m in obsolete bottles last year.

In addition, Canadian drinkers have given a luke-warm response to the well-known Australian brand, Foster's lager, introduced by Carling earlier this year.

The company sold its Ontario winery, Jordan and Ste-Michelle Cellars, last June, taking a loss of C$7.8m on the transaction. According to local reports, some of its other non-brewing assets, including a Calgary oil company and the Toronto Argonauts football team, are also up for sale.

Carling earned net income of C$5.6m (before extra-ordinary items) in the three months to June 30, from sales of C$249m.

NZ retailers pull plug on Eftpos

Dai Hayward on a showdown over charges which is slowing banks' efforts to expand their electronic transfers system

LAST YEAR New Zealand became the first country in the world in which all commercial banks combined to offer a national network for an electronic funds transfer point-of-sale (Eftpos) system. It now has about 800 terminals in outlets throughout the country.

However, 75 per cent of these are in petrol service stations because members of the Retailers Federation and the four trading banks cannot agree on a final—and long-term—charging system.

As a result, many stores, including large retailers and chain stores, which originally accepted terminals as part of a free trial period offered by the banks, have since had them removed. Although the trial period ended in September last year, the banks are still providing terminals and lines free of charge, except to a few customers which have built up a high volume of transactions.

The service stations are owned by the major oil companies which enthusiastically welcomed Eftpos as a means of reducing robberies, the number of which have declined dramatically now the service stations no longer carry large quantities of cash.

The Retailers Federation wants a lower cost structure for transactions, a long-term agreement to hold down transaction and maintenance costs, and a clearer understanding and agreement on who is responsible for fraudulent use, or mis-use, of cards or the Eftpos system.

Retailers are concerned that once the system has been generally accepted and has become commonplace for shoppers, charges could be increased.

"It is like heroin addiction. The first fix might be free but once you're hooked the price could go up," says Mr Richard Hall, the federation's legal adviser.

The Bankers' Association, which speaks for all four trading banks, admits the system has not expanded as rapidly as it had expected it to. It puts part of the blame for this—probably with some justification—on the failure by the Post Office to provide adequate leased lines. It claims to have advance orders for another 700 terminals—mostly for service stations — which will be installed at the rate of 100 a month.

During the trial period, which was extended from six months to nine months, the system was installed and operated by a joint banking Eftpos team. After that it was handed back to each bank to devise its own method of charging, and to do its own promotion to its own customers.

The average Eftpos transaction is NZ$20 (US$10), and the unit cost, including the bank's rental charge, is 13.6 cents on average. The total value of Eftpos transactions since the system was introduced is just over NZ$10m, a rather slower start than was originally thought.

The Retailers Federation agrees with the Bankers' Association that Eftpos will steadily develop in New Zealand none the less. New Zealanders have readily accepted the use of plastic cards — reflected in a high turnover and use of automatic teller machines and credit cards.

The Bankers' Association and the Government are at odds over a proposed code of practice to cover Eftpos and other plastic card transactions. The Government has recently caught banks by surprise by announcing a draft code. This provided customers with much greater protection than currently exists.

At present a cardholder is responsible for any financial losses suffered through malfunction of electronic equipment. The Government says the banks or other issuing organisations should be responsible when a loss is not the cardholder's fault. The trading banks have now accepted this in principle.

When a card is fraudulently used, but there has been no negligence on the part of the cardholder, the Government says liability should be limited to NZ$50. The banks want this lifted to NZ$250.

When a cardholder's negligence contributes to its fraudulent use, the Government suggested a NZ$250 liability. The banks want negligent cardholders to be liable for the entire loss. They say without such a penalty, cardholders will not take reasonable precautions.

The Government also wants the practice of issuing unsolicited cards through the mail stopped. The banks want to continue, but have agreed to tighten up their security procedures. The state-owned Bank of New Zealand has been the first to accept some of the Government's recommendations.

Japanese mergers growing says study

By Ian Rodger in Tokyo

THE CLIMATE for mergers and acquisitions in Japan has improved significantly in the past few years, providing foreign companies with new opportunities for penetrating the Japanese market, according to a study by Paribas Tokyo.

The study says the number of mergers within Japan has reached an average of 1,000 deals a year. The number of foreign takeovers has also been rising. According to one compilation, there were 15 acquisitions in Japan by foreign companies in the 1981-84 period compared with only five in 1978-80.

Paribas, a subsidiary of the French banking group, says that the social stigma attached to selling out is gradually fading away, particularly in industries which are squeezed by flat demand and excess capacity, such as pharmaceuticals

"Until recetnly, acquisitions in Japan were contemplated in cases of rescue emergency only. However, a new attitude toward mergers and acquisitions is now to be seen: an increasing number of companies have indeed already sought external solutions for their international or even domestic development."

The study says other changes in corporate behavior are contributing to the better climate. Large groups are beginning to dispose of subsidiaries because of changes in management strategy. For example, Toshiba has sold six subsidiaries, including Toshiba Chemical, some of which were profitable.

Morevover, small quoted companies are becoming accustomed to takeover aproaches by companies seeking a listing without having to through the stock exchange's complex application process.

The study warns that making an acquisition in Japan remains delicate and time-consuming. Also, the price of a Japanese acquisition almost always seems "desperately high." However, it argues that the benefits of obtaining an existing workforce and access to long established relationships with clients and suppliers should be valued highly.

Mergers and Acquisitions in Japan: New Opportunities for Foreign Corporations. Paribas Tokyo. Yurakucho Denki Building, Yurakucho 1-7-1, Chiyoda-ku, Tokyo 100.

Japan's department stores boost profits and sales

BY YOKO SHIBATA IN TOKYO

JAPAN'S five leading department store groups improved sales and profits across the board in the first half to August, backed by firm consumer spending.

The five—Mitsukoshi, Takashimaya, Daimaru, Matsuzakaya and Sogo—were assisted by measures such as reduction of borrowings, tightening of inventory control by the use of point-of-sales (POS) on-line networks, and strengthening of the credit card marketing system.

In particular, Takashimaya and Matsuzakaya registered all-time record pre-tax profits, while Mitsukoshi reported record half-year sales.

Mitsukoshi cut its borrowings 76.2 per cent from a year earlier, and a reduction of borrowings helped Daimaru to cut interest payments by 22 per cent.

Mitsukoshi's half-year pre-tax profits surged by 28.6 per cent to Y2.54bn ($16.38m) with net profits of Y1.14bn, up 64.9 per cent. Turnover at Y288.46bn, was 5 per cent ahead.

Takashimaya scored record pre-tax profits of Y5.82bn, up 23.7 per cent, and net profits of Y2.84bn, up 54.5 per cent. Turnover was Y251.31bn, up 5 per cent from a year ago.

At Daimaru, pre-tax profits jumped 62.4 per cent to Y1.44bn, with net profits of Y970m, up 39.4 per cent, on turnover of Y241.07bn, up 0.9 per cent from a year earlier.

Matsuzakaya had pre-tax profits ahead by 2.9 per cent to a peak Y3.49bn, with net profits of Y1.67bn, up 24.4 per cent, on turnover of Y180.47bn, up 3.4 per cent.

Sogo reported an 8.2 per cent gain in pre-tax profits to Y3.05bn. Net profits of Y1.45bn were up 5.8 per cent on turnover of Y112.71bn, a rise of 6.4 per cent.

World Bank affiliate to lift investment in India

BY P. C. MAHANTI IN CALCUTTA

THE International Finance Corporation (IFC), the World Bank affiliate for promoting private sector growth in developing countries, plans substantially to increase its involvement in India, which has been liberalising its economic and investment policies.

Sir William Pyrie, IFC vice-president, told the Bengal Chamber of Commerce and Industry the corporation plans to invest $100m in India annually over the next five years, in projects sponsored by large and small companies. This would include an equity role.

Sir Wlilam, who is leading a team to explore investment opportunities in India, said the country now ranks as priority number one in the corporation's strategy to help private enterprise in the Third World.

The IFC has been investing in India since 1959. Of the $350m that has been advanced as long-term loans and equity in some 40 projects, half has been sanctioned during the past five years. IFC has acquired an equity stake in the Export Import Bank of India as part of its effort to strengthen the domestic capital market.

Direct private foreign investment will be attracted the more if India also permits foreign companies to buy and sell shares traded on the Indian stock exchanges, it argues.

Sir William said India's 15 stock exchanges suffer from a lack of interconnection and transfers of shares take a long time to be recorded. Computerisation of transactions should be given priority in a revamping programme.

Meanwhile, the IFC announced in Washington that it would provide $10m for the expansion of Great Eastern Shipping Company of India. Of the investment $2m will be in equity form with the rest in loans. Great Eastern plans to add to its fleet of bulk cargo vessels.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Two-tranche convertible deal for Bell Resources

BY CLARE PEARSON

ATTENTION in the Eurobond market focused yesterday on a $350m equivalent two-tranche convertible deal for Bell Resources, part of the business empire of Mr Robert à Court, the Australian businessman. Elsewhere, fixed-rate bonds traded nervously ahead of US third-quarter GNP data, but prices were mostly unchanged on the day at the close.

Swiss Bank Corporation International led the $200m 5½ per cent part of Bell Resources' issue, and Swiss Bank Corporation the SFr 250m 2½ per cent private placement. Both have 10-year maturities. Both are expected to be convertible into Bell Resources shares at a premium of about 20 per cent over the share price when pricing takes place, which should be October 29.

Bell Resources is arranging investor presentations to promote the deal in Switzerland, but the initial reaction to the issue was mixed, and Credit Suisse is believed to have declined participation. But the dollar tranche was quoted yesterday at a bid price of 98½, a discount within the level of the 2½ per cent fees.

The dollar tranche may be called after two years at 106, and then at premiums declining by 1 per cent per annum. It may be put by investors after five years at a price to give a yield of between 8 and 8½ per cent. The Swiss franc bond may be put after eight years at 127½ to give a yield of 5.12, and after eight years also may be called at par. The issuer of both bonds is Bell Resources Financial Services with the parent's guarantee.

Elsewhere in the market Nikko Securities launched a $50m two-year bond with its redemption amount linked to the gold price designed to appeal to investors expecting the gold price to rise. The issue was for C. Itoh Finance (Europe), guaranteed by the Hong Kong branch of C. Itoh, the Japanese trading company.

Redemption on a $5,000 denomination 3 per cent par-priced bond will be the product of the sum of the London spot gold price on August 31 1988 and $621 multiplied by 4.7.

In Switzerland, bond prices fell about ¼ point in quiet business amid fairly heavy supply of recently-issued paper.

In addition to the SFr 250m Bell Resources convertible, a SFr 100m deal emerged for Caisse Centrale Desjardins du Quebec. Led by Swiss Bank Corporation, it has a 10-year maturity, a 4¾ per cent coupon and par pricing.

Credit Suisse led three private placements for Japanese borrowers. Hokuriku Electric Power made a SFr 120m issue with a five-year maturity, 4⅞ per cent coupon and 100¼ per cent pricing.

Sunstar, a toothpaste manufacturer borrowing with Sanwa Bank's guarantee, is raising SFr 55m with a five-year issue with equity warrants attached. The coupon is indicated at 2⅞ per cent. The third placement was for Mitsubishi Mining and Cement, with the guarantee of Mitsubishi Trust. The SFr 40m issue has a five-year maturity, 4⅞ per cent coupon and par pricing.

In the D-Mark market, the World Bank added a DM 300m tranche to a DM 500m bond issue made in July. Led like the original deal by Deutsche Bank, the issue is for 10 years and has a 6 per cent coupon.

The new portion was priced at 96¼, marginally above trading levels for the existing debt just beforehand. Though news of the new launch pushed prices down to just below 96, the market viewed the pricing as correct and dealers said the issue was going quite well.

The D-Mark market rose ¼ to ½ point in places on small volume.

New Zealand withdraws Y40bn bond

A Y40BN bond for New Zealand, announced on Tuesday, has been withdrawn from the Eurobond market, lead-manager Daiwa Europe said late yesterday afternoon, writes Clare Pearson.

Dealers had said that the terms of the five-year bond were aggressive. In grey market trading, the 5⅛ per cent bond, priced at 101⅛, was trading yesterday at discounts well wide of the level of its 1⅞ per cent total fees, at 98⅞ on the bid side.

Acquisitions limit rise in earnings at Procordia

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

PROCORDIA, the Swedish state-owned holding company, increased its operating profits by 37 per cent in the first eight months of the year to SKr 515m ($75m) from SKr 376m a year earlier.

The group's finances have been stretched by a number of acquisitions, however, and after financial items profits rose by only 4 per cent to SKr 480m.

The Swedish Government is considering ways of broadening the ownership of Procordia and it is possible that private institutions will be allowed to invest in the group next year, as a preliminary step to a later introduction on the stock exchange.

Group turnover rose by 31 per cent to SKr 9.89bn but sales were inflated by the acquisitions of both Pinkerton Tobacco in the US and the Pripps Brewery Group, Sweden's dominant beer producer. On a comparable basis sales rose by just 6.5 per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Sydney launches US T-bond futures

By Alexander Nicoll

THE SYDNEY Futures Exchange today launches a futures contract based on US Treasury bonds which will be interchangeable with an identical contract traded on the London International Financial Futures Exchange (Liffe).

The link is an important step in the development of round-the-clock trading in US Treasury bonds and related instruments. Sydney's aim—and that of a contract launched in Singapore earlier this month — is to fill the gap in the time zones between the US and European trading days.

The new contract is therefore targeted at traders in US Government securities who are active during the Asian day, particularly in Tokyo where there is a rapidly growing market for them.

Next Thursday, Sydney will launch three-month Eurodollar futures which will also be fungible with an identical contract on Liffe. Fungibility means that a position opened on one exchange may be closed later the same day on another, essentially incurring the trading costs involved in using only one exchange.

The link is the first with another exchange for both participants, though Sydney plans a gold futures link with the New York Commodities Exchange beginning in November and Liffe plans later to trade Japanese government bond futures in conjunction with the Chicago Board of Trade.

It is unusual in that clearing for both new contracts will be done entirely through the International Commodities Clearing House (ICCH) in London, even though ICCH also has an Australian operation.

Credito Italiano plans L562bn fundraising

By Alan Friedman in Milan

CREDITO ITALIANO, Italy's fourth largest bank in terms of assets, yesterday unveiled plans to raise L562bn ($410m) by means of a L300bn nominal increase in capital.

The increase follows a similar move last month by the smaller Banco di Roma, which like Credito Italiano is a state-controlled institution and part of the IRI state holding group.

The Credito Italiano capital increase requires the approval of a shareholders' meeting called for December 5. The move comprises two parts. A L75bn nominal scrip issue would provide three ordinary or savings shares for every 20 already held. A L225bn rights issue would offer nine new ordinary shares for every 20 held.

The rights issues shares will be priced at L500 each nominal plus a L750 premium per share.

Credito Italiano has a staff of 16,751 and 472 branches in Italy. It achieved a 47.5 per cent rise in net profits for the first half of this year, to L47.2bn.

$78m charge at Firestone

FIRESTONE TIRE and Rubber, the second largest US tyre maker, expects to show a loss in its fourth-quarter, Reuter reports. This will arise from making a $2 a share provision, totalling $78m, to cover the cost of restructuring its North American tyre operations.

The restructuring may involve closure or sale of one or more tyre plants and the company's withdrawal from one or more North American tyre market sectors which do not offer acceptable longer-term profit opportunities, Firestone said.

The group lost $47m in the final quarter of last year, ended October 31. This followed a $57m write-off from closing its Albany tyre plant and concentration of farm tyre production at Des Moines.

The company is also discussing the possible sale of Firestone Steel Products.

In addition the board has authorised repurchase of up to 5m of the 39m common shares in issue from time to time in the open market or privately.

Sterling paper for Norcros

By Our Euromarkets Staff

NORCROS, the UK building products, print and packaging concern, is the latest of a growing number of borrowers to arrange a sterling commercial paper programme.

Its £100m programme will enable it to issue commercial paper in sterling and dollars as an alternative to existing financing sources. Citicorp Investment Bank, County NatWest Capital Markets and Morgan Grenfell have been appointed dealers.

Coca-Cola's $1.5bn offer could be going better, reports William Hall

Wall St baulks at price of Coke

DIET COKE, Tab, Sprite, Caffeine-free Coke, Cherry Coke, Coca-Cola Classic. With the efficiency of a well-oiled machine, the biggest soft drinks company in the world rolls out one successful product after another but Wall Street is beginning to have some doubts about whether institutional money managers will develop a taste for Coca-Cola's latest offering — Coca-Cola Enterprises.

With a staff of 21,000, a fleet of 13,300 delivery vehicles and annual sales of over $3bn, Coca-Cola Enterprises (CCE) is the largest bottler of Coca-Cola soft drinks in the world and Coca-Cola is planning to sell a 51 per cent stake to the public for around $1.5bn which would make it the biggest initial public offering in US history.

CCE did not exist a year ago. In fact, two-thirds of the company has been assembled over the last two months with the completion of the $2.4bn acquisitions of JTL Bottlers and Beatrice Bottlers, which Coca-Cola hurried through in order to prevent them falling into the wrong hands.

The reasons why Coca-Cola has created CCE are sound enough. Americans drink 806 soft drinks a year, compared with an average consumption of 118 a year in the rest of the world and Coca-Cola is anxious to maintain, and possibly strengthen its 39 per cent share of the $24bn a year US soft drinks market by taking tighter control of its more than 100-strong network of independent bottlers.

Volume in the US soft drinks industry has been growing at a steady 4 per cent a year and the offer prospectus indicates that CCE's own volume growth has been running at 7 per cent a year. CCE is a growth company but what is worrying some institutional investors is the estimated price of between $21 and $24 per share which they are being asked to pay for CCE's 71.4m share offering.

CCE barely broke even last year and is expected to earn around $25m, or 20 cents a share, in the current year. Even after the initial public offering, the company will be highly leveraged and will have a negative net tangible book value of $4.19 per share. It plans to pay a dividend of five cents a year.

At a price of $22.50, CCE would be selling at a multiple of more than 100 times 1986 earnings and yielding a nominal 0.2 per cent. Coca-Cola itself is selling at 18 times earnings and yielding around 2.8 per cent. Over the last five years

COCA-COLA ENTERPRISES

	Net operating revenues $m	Operating income* $m
1983	1,953.1	277.2
1984	2,367.0	338.8
1985	2,922.4	379.4
First-half		
1985	1,398.3	174.4
1986	1,566.2	216.7

* Before depreciation and amortisation.

Source: Coca-Cola Enterprises prospectus

the compounded annual return for investors in Coca-Cola stock (stock price appreciation plus dividends) has averaged 24 per cent, almost double the 13 per cent of the Standard & Poor's 500 index.

This sort of performance explains why Coca-Cola stock trades at a premium to Wall Street where shares are selling at an average of 16 times earnings and yielding 3.5 per cent. However, it does not explain why CCE's proposed offer price is being pitched at such a heady level.

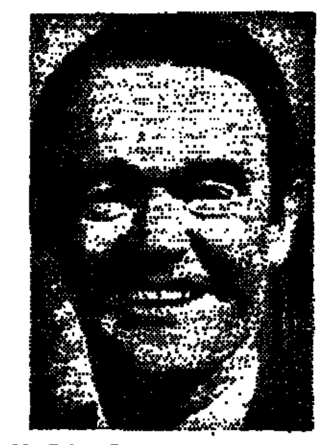
Coca-Cola's answer is that CCE should not be valued by the stock market's traditional criteria of earnings multiples and yield. Coca-Cola has been buying and selling bottling companies for several years as part of an overhauling of its distribution system and has developed a sophisticated cash flow model which it is now applying to value CCE.

The key figure in the prospectus is CCE's operating cash flow, which consists of pre-interest operating pofit, depreciation and amortisation. CCE's pro forma financial statements show that its operating cash flow grew by 12 per cent to $379.4m last year and in the first half of 1986 it grew by 24 per cent to $216.7m.

CCE's prospectus notes that "Management views the long-term generation of cash flow from operations as one of its primary performance objectives" and it intends to "utilise financial leverage and cash flow generated from operations to support capital expenditures and possible future acquisitions of bottling territories."

Coca-Cola's view is that CCE should be valued on the basis of its enormous cash flow and when seen in this light an offer price valuing the company at between nine and 10 times cash flow is nowhere near as greedy as the traditional stock market multiples suggest. The more enthusiastic analysts agree and argue that CCE should be valued more like a media company where Wall Street has become enamoured with the prospect of steadily rising cash flows over the long term.

It remains to be seen whether Wall Street will be convinced by Coca-Cola's financial logic. It is clear that CCE is a very different company from Coca-Cola. It is much more capital- and labour-intensive, its returns are far lower, and the company will be far more aggressively financed than its more conservative parent.



Mr Brian G. Dyson, president and chief executive of Coca-Cola Enterprises

Last year Coca-Cola earned the equivalent of 23.5 per cent of its shareholders funds and, with profits up by nearly a fifth in the first nine months of 1986, is expected to do even better this year. By contrast, CCE's return on equity this year will be of the order of 1½ per cent.

"There is no question that the deal is somewhat pricey," said one leading Coca-Cola watcher on Wall Street yesterday," but over the longer term I think $22.50 per share will be a very propitious price." He is pencilling in a long-term growth rate of 20 per cent a year for the company.

Overseas investors, who are being asked to subscribe for 10.7m of the 71.4m CCE shares, and are more concerned with such traditional benchmarks as yield and price remains earnings multiples, will probably have more difficulty in assessing the worth of Coca-Cola Enterprises. Even on Wall Street there is a feeling that Coco-Cola will be getting more out of the deal than first time investors in Coca-Cola Enterprises.

Austria to issue schilling floating-rate notes

BY PATRICK BLUM IN VIENNA

THE AUSTRIAN Government is expected to launch its first ever schilling-denominated floating-rate note issue this week in a move aimed at broadening the Austrian capital market and the choice of financing instruments, a Finance Ministry official said yesterday.

Parallel to the launch of the Sch 1.5bn ($107m) test issue, which is aimed primarily at foreign investors, the authorities will formally establish a Vienna Interbank Offered Rate (Vibor) modelled on London's Libor. The Vibor rate will be set daily by averaging rates offered for borrowing over three months by a group of six Austrian banks.

Supporters of these moves say that they will provide the basis for the development of a new domestic floating-rate note market. Until now there have been no floating-rate note issues in Austria.

Girozentrale, Austria's second largest bank, is lead-managing the issue which includes a strong international placement group of about 15 international banks. Discussions about conditions for the issue were continuing last night but officials said that terms had practically been agreed and that the issue will be for seven years at ⅛ per centage point above Vibor and priced at par with the subscription period ending on October 30.

INTL. COMPANIES AND MARKETS

UAL lifted by Westin offering

By Our New York Staff

UAL, the holding company for United Airlines, Hertz and Westin Hotels and Resorts, disclosed net earnings and revenues strongly ahead in the third quarter.

Total income – which included a $79.8m pre-tax gain from a public offering in the Westin hotels limited partnership – rose to $109.8m, or $2.43 a share, on revenues of $2.54bn. Last time the group earned $22.2m, or 48 cents a share, on revenues of $1.71bn.

Mr Richard Ferris, chairman and chief executive, said operations for all three subsidiaries had continued to improve in the quarter. He said: "I am particularly pleased by the performance of the car rental business, as well as the results of our first hotel syndication.

"I expect to see all three subsidiaries continue their emphasis on improving customer service and controlling costs."

Earnings in the quarter were affected by foreign exchange losses of $34.5m, mainly on yen-denominated debt. This compared with losses of $17m in the 1985 period.

The 1985 quarter would have been in the red but for gains of $27.3m and $23m from disposals.

At the nine-month stage, net earnings for the group were $25.2m, or 57 cents a share, against a deficit of $69.5m, or $2.52 a share, previously. Revenues rose to $6.86bn from $4.49bn.

The airline reported record revenues of $1.96bn in the quarter in spite of stiff price competition. Its operating earnings were $145.9m, against $18.2m last time.

Banco Americano sets course for recovery

BY TOM BURNS IN MADRID

BANCO Hispano Americano, Spain's third largest bank, yesterday released encouraging results for the first six months of this year. The bank's recovery was also underlined by the issue at the beginning of the week of a $100m subordinated loan.

The group's consolidated income before taxes for the half year to June 30 was Pta 13 bn ($98m), a 145 per cent increase the first half of 1985.

The improvement was due partly to a sharp turnround for Hispano Americano's industrial banking offshoot, Banco Urquijo-Union, which lost Pta 2 bn last year and is expected to show a profit of Pta 10bn this year.

Problems at the subsidiary in 1984 absorbed almost all Hispano Americano's operating earnings. Last year Hispano Americano omitted its dividend.

Urquijo-Union was rescued by a Pta 60bn aid package negotiated with the Bank of Spain and the Spanish private banks, and through a five-year exemption from the "coeficientes" system which forces banks in Spain to place 45 per cent of their customer liabilities in state-directed investments.

The bank said yesterday that all the companies in the Hispano Americano group were showing good results and the parent bank, in particular, had benefited from increased business. Total funds generated by the group for the first half year were Pta 29.5bn against Pta 19.6bn in the first six months of last year.

This year Hispano Americano will pay a dividend, again of Pta 25 per nominal share. The bank said that, based on the results, it would seek authorisation from the Bank of Spain for an interim payout before the end of the year.

The negotiation of the loan, with a substitutions guarantee and on a subordinated basis, carries a high degree of risk for the lender. It is innovative to Spanish banking and represents a psychological boost for Hispano Americano.

The floating rate note issue was signed on Monday in Frankfurt with Commerzbank as manager and Credit Lyonnais as co-lead manager.

Domtex sees recovery continue

BY ROBERT GIBBENS IN MONTREAL

DOMINION TEXTILE, Canada's largest primary textile and fabrics group, continued its recovery in the first quarter ended September 30, and expects "significantly better results" for the full year. It is actively looking for a US acquisition.

In the latest quarter Domtex earned C$3.37m (US$2.42m) or 11 cents a share on sales of C$227m, against a loss of C$6.8m on sales of C$180m a year earlier. In the full year ended June 30, 1986, net profit was C$11.1m or 56 cents a share on sales of C$926m, before special charges.

The strength in the September quarter came from yarns, industrial products, apparel fabrics and sportswear, but home fashions business was under pressure from rising imports.

In all fiscal 1987 Domtex will reap benefits from rationalisation of its Canadian manufacturing plants, said Mr Thomas Bell, president, and most of its businesses will continue to do better, except for some fabrics and home fashion business.

Domtex, which earns more than half its profits from US, European and Asian operations, seeks an acquisition in the US to expand its already strong market position in denim and yarns.

Mr Bell said Domtex is determined to become a larger international force in interlinings, denim and yarn, while a free trade agreement between Canada and the US would encourage closer linkage between the US and Canadian operations.

Domtex is negotiating to sell its 50 per cent interest in a South African interlinings manufacturer to the local management.

Phelps Dodge moves ahead

BY OUR NEW YORK STAFF

PHELPS DODGE, the leading US copper producer, has revealed a strong third-quarter advance with a surge to $19.4m, or 60 cents a share, from $7.6m, or 16 cents a share, in net earnings.

However, the final figure was struck after a $13m tax refund. It also reflects the $7m sale of a 49 per cent stake in a Turkish copper deposit to Metallgesellschaft of West Germany, and a $6.5m write-off for the closure of its Douglas, Arizona, copper smelter.

The group's primary metal sector, consisting of its copper-producing operations from mining through to rod casting, earned $11.1m from $13.5m last time, reflecting continuing low copper prices.

Mine production of copper was 98,600 tons in the quarter, up from 95,100 tons last time. The group sold 102,600 tons, against 98,990 in the 1985 quarter.

Group revenues fell to $188m from $210.2m in the quarter, and to $639.7m from $666.5m for the nine months.

Earnings for the nine months rose to $50.6m, or $1.51 a share, against $22.9m or 49 cents last time.

N. AMERICAN QUARTERLIES

AMERICAN BRANDS
Tobacco, beverages, food products

Third quarter	1986 $	1985 $
Revenue	2.2bn	2.0bn
Net profits	*31.6m	114.4m
Net per share	0.25	1.00
Nine months		
Revenue	6.3bn	5.4m
Net profits	*247.9m	308.2m
Net per share	2.15	2.65

* after $106.8m write-off for tobacco plant closures

AMERICAN CYANAMID
Medical, agricultural, chemical products

Third quarter	1986 $	1985 $
Revenue	9.21m	852m
Op. net profits	44.8m	34.8m
Op. net per share	0.87	0.72
Nine months		
Revenue	2.97bn	2.65bn
Op. net profits	150.4m	109.7m
Op. net per share	3.23	2.26

BANC ONE CORPORATION
2nd largest bank in Ohio

Third quarter	1986 $	1985 $
Revenue	—	—
Net profits	41.1m	36.1m
Net per share	0.59	0.52
Nine months		
Revenue	—	—
Net profits	117.2m	99.1m
Net per share	1.68	1.47

BARNES GROUP
Precision mechanical springs

Third quarter	1986 $	1985 $
Revenue	113.0m	104.2m
Net profits	5.0m	4.3m
Net per share	0.78	0.58
Nine months		
Revenue	334.8m	323.3m
Net profits	13.6m	8.9m
Net per share	2.10	1.82

BORG WARNER
Auto components, chemicals, plastics

Third quarter	1986 $	1985 $
Revenue	881.5m	816.2m
Net profits	53.2m	53.1m
Net per share	0.60	0.60
Nine months		
Revenue	2.71bn	2.47bn
Net profits	153.6m	115.8m
Net per share	1.74	1.30

BRISTOL-MYERS
Drugs, toiletries

Third quarter	1986 $	1985 $
Revenue	1.5bn	1.2bn
Net profits	172.9m	144.8m
Net per share	1.22	1.03
Nine months		
Revenue	3.6bn	3.3bn
Net profits	437.8m	391.8m
Net per share	3.07	2.77

BRUNSWICK CORPORATION
Marine power, leisure services

Third quarter	1986 $	1985 $
Revenue	390.7m	394.4m
Net profits	27.4m	23.9m
Net per share	0.65	0.58
Nine months		
Revenue	1.25bn	1.15bn
Net profits	84.8m	77.4m
Net per share	2.02	1.79

BURLINGTON INDUSTRIES
Textiles

Fourth quarter	1985-86 $	1984-85 $
Revenue	726.9m	697.3m
Net profits	14.2m	†2.5m
Net per share	0.51	†0.10
Year		
Revenue	2.78bn	2.80bn
Net profits	56.5m	12.6m
Net per share	2.01	0.44

† Loss

COMMONWEALTH EDISON
Electric utility

Third quarter	1986 $	1985 $
Revenue	*1.68bn	1.49bn
Net profits	416.4m	366.2m
Net per share	1.95	1.76
Twelve months		
Revenue	**5.37bn	4.98bn
Net profits	1.04bn	953m
Net per share	4.69	4.54

* Subject by refunds of $172m ** Subject by refunds of $232m

CRANE CO.
Fluid pollution control equipment

Third quarter	1986 $	1985 $
Revenue	323.1m	297.4m
Net profits	12.6m	9.2m
Net per share	0.91	0.67
Nine months		
Revenue	893.2m	816.6m
Net profits	27.8m	21.1m
Net per share	2.02	1.54

CROWN CORK AND SEAL
Metal containers

Third quarter	1986 $	1985 $
Revenue	438.1m	421.9m
Net profits	24.7m	23.3m
Net per share	2.33	2.12
Nine months		
Revenue	1.26bn	1.15bn
Net profits	63.9m	57.6m
Net per share	5.96	5.23

ELECTRONIC DATA SYSTEMS
General motors subsidiary

Third quarter	1986 $	1985 $
Revenue	1.16bn	921.9m
Net profits	71.1m	51.9m
Net per share	0.58	0.43

Continued on Page 39

Accountancy Appointments

General Accounting Manager

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UK COMPANY NEWS

Hawker shares slide on static mid-term profits

BY MIKE SMITH

Hawker Siddeley fell sharply to close 32p lower at 415p yesterday following the announcement that pre-tax profits for the first half of the year were virtually static at £72.1m. Demand for the company's products, particularly diesel engines, was hit by the fall in oil prices, the company said.

The company also forecast lower second half profits, but expects profit growth to resume next year. The interim dividend is raised to 0.5p to 5p.

In the six months to the end of June, Hawker lifted pre-tax profits by £600,000 from last year's £71.5m turnover, down £8m at £769m. However Mr Bob Bensly, managing director, said the profits would have been 18 per cent higher than those for the first half of 1985 had it not been for adverse exchange rate movements, costing £6m, and the effect of the oil price fall, on diesel demand, costing £5m to £6m.

Mr Bensly said the results were a temporary setback. Order books remained high and next year growth would be assisted by better demand for diesel engines, an improvement in the adverse factors created by the oil price fall and the flow through of profits from recent acquisitions.

Of the company's six divisions, diesel engineering suffered worst with turnover down from £100m to £83m and profits down to £4.5m from £7.3m.

Sir Peter Baxendell, chairman of Shell Transport

Sir Peter Baxendell, chairman, said diesel engineering experienced the main impact of the downturn in ordering by the main oil producing countries. A major reorganisation of the division to bring orders into line with demand had also affected performance.

For the full year the division is likely to suffer a significant reduction in profits compared with 1985 but the company says orders are picking up and this should show through in profits and turnover in 1987.

The electrical distribution and controls division showed the largest growth with sales up £19m to £185m and pre-tax profits up £3.2m to £15.2m. Electrical specialised equipment was the second fastest growing sector with profits at £12.4m (against £11.6m) and sales at £127m, up £2m.

Electrical motors and generators increased profits by £100,000 to £9.8m on sales down £5m to £94m but mechanised specialised equipment profits were static at £20.8m on sales down £10m to £257m.

Other trading activities produced profits of £4.6m (£4.2m) on turnover of £769m (£777m).

Hawker is looking for further acquisitions. Already this year it has spent more than £110m on acquisitions, mostly US companies which fit into its expanding electrical distribution and controls, and electrical specialised equipment sectors.

"The aim is to go for acquisitions in areas of potential growth which have an immediate affinity with group activities and which can be assimilated rapidly with technological and cost advantage," said Sir Peter.

The £72.1m pre-tax profits for the first half comprised trading profits of £61.7m (£60.6m), a share in related companies' profits of £5.6m (£5m) and interest of £4.8m (£5.9m).

After taxation of £27.4m and minority interests of £3.5m attributable profits were £41.2m, leaving earnings per ordinary share at 20.9p (20.4p).

See Lex

Maxwell steps into battle for Grosvenor

By Nikki Tait

A BID battle broke out yesterday for Grosvenor Group, the troubled electronics and engineering company. Hollis, the stationery furniture and timber group which is 82 per cent owned by Mr Robert Maxwel's Pergamon Press, launched an £8.9m shares or cash offer. Last month Grosvenor agreed terms with BBA Group.

Last night, Mr Gordon Hazzard, chairman of Grosvenor Group, said he had received no official notification from Hollis and had no comment to make at this stage.

Dr John White, managing director of BBA, was unavailable for comment, but his merchant bank advisors — Morgan Grenfell — said that the company would be reviewing its position over the next few days. BBA currently owns 6.3 per cent of Grosvenor's shares, and had received acceptances from all the Grosvenor directors in respect of their personal holdings — totalling 0.29 per cent.

The new terms from Hollis are seven of its new shares for every four Grosvenor. With Hollis unchanged at 82p on the announcement, that values each Grosvenor share at 143.5, and the entire group at £8.9m. There is also a cash alternative of 135p a share.

Yesterday, Grosvenor shares rose 10p to 135p.

Hollis said yesterday that it had received irrevocable undertakings to accept in respect of 635,898 Grosvenor shares — 10.2 per cent of the equity—and a further irrevocable undertaking to accept the cash alternative from holders of another 2.33 per cent of the Grosvenor shares. Hollis itself also owns 2.56 per cent of Grosvenor's shares.

The Hollis offer compares with BBA's offer of two of its own shares for three Grosvenor—which, with BBA down 2p at 168p yesterday, values each Grosvenor share at 110p—or a cash alternative of 125p.

Hollis has made a number of acquisitions recently, buying £30m-worth of businesses from Pergamon Press last August and winning a bid for The Solicitors Law Stationery Society in the previous June.

Norton claims 41% and extends bid

BY DAVID GOODHART

Norton Opax yesterday failed to win control of McCorquodale in the bitter £150m print industry takeover battle but has extended its offer until 1 pm on November 7.

In a hectic day of ups and downs for both sides Norton was left holding and having acceptances from a total of 40.6 per cent of McCorquodale. That included 13.2 per cent already owned by Norton and associates, 16.5 per cent of acceptances and another 10.8 per cent stake pledged by Mr Robert Maxwell.

Mr Maxwell failed to accept the offer by the 1 pm deadline but he later confirmed the statement made earlier in the day that he was backing Norton Opax and that there had been merely a technical hitch regarding his acceptance form.

He said he had been impressed by both Mr Richard Hanwell, the Norton chief executive, and Mr John Halloran, the McCorquodale chief executive, but "Hanwell impressed me more."

McCorquodale hit back by saying that at a meeting on Tuesday night Mr Maxwell had asked McCorquodale "to state that it would welcome Mr Maxwell as a 25 per cent shareholder in the company and indicated that if McCorquodale was not prepared to do so he would assent his shares to the offer."

Mr Holloran said he had not been prepared to make such a statement but understood that Norton Opax had been prepared to accept a large minority holding by Mr Maxwell.

Considering that Mr Maxwell's stake was widely expected to be decisive McCorquodale was last night celebrating a reprieve. "This is very good news—we have no doubt we can retain our independence now," said Mr Holloran.

Although Norton had hoped to close the bid by yesterday's first closing date it had kept open its option to extend and last night Mr Clive Chalk of Samuel Montagu, Norton's advisers, said: "There is a feeling of great elation here—I cannot remember such a good result for a first closing date."

Norton remains in a strong position to take control and the final result on November 7 could still be very close. Samuel Montagu is likely to continue to try to buy in the market at the cash alternative of 260p. It can only buy another 1.8 per cent

The Takeover Panel has already been heavily involved in the bid and yesterday issued a general warning to companies not to make claims about other companies based on unsubstantiated assumptions. That warning arose from a Panel criticism of some Norton Opax claims about McCorquodale's underlying growth.

Norton claimed in a circular that underlying profits for 1985-1986 were £11.25m, compared with the McCorquodale forecast of £14m and for 1986-87 were £11.4m compared with the forecast of £17.5m.

Samuel Montagu accepted that it made mistaken assumptions about the profits acquired when McCorquodale bought H. W. Chapman and the changes to associated company profits. Therefore underlying profits were likely to increase at 17.3 per cent and 23.8 per cent over the two years

Norton shares closed 5p down at 135p, while McCorquodale was unchanged at 263p.

PWS keeps up bid momentum

PWS Holdings, the fast-growing insurance broker led by Mr Ronnie Ben-Zur, has added momentum to its hostile £180m bid for C. E. Heath, the insurance group, by rapidly issuing its formal offer document.

The document was received by Heath shareholders yesterday, only two days after PWS announced the bid. It fixes 3 pm on Tuesday, November 11 as the first closing date for the receipt of acceptances of the PWS offer.

In a letter to Heath shareholders, Mr Malcolm Pearson, chairman of PWS, drew particular attention to Heath's loss of key North American insurance broking personnel recently and said PWS would have "a major contribution to make" to Heath's fortunes there.

Heath's directors said they had reviewed the document "and found nothing new to change their view that the offer is wholly inadequate in both amount and form."

PWS has a market capitalisation of £63m, making it considerably smaller than Heath. It is offering four of its own new ordinary shares plus three new convertible preferred shares for every Heath share held.

With PWS shares unchanged at 315p yesterday this valued each Heath share at 572p. Heath shares fell 3p to 560p.

PWS also gave notice yesterday of an extraordinary general meeting of PWS shareholders on November 13, to ratify the proposed issue of new shares in connection with the bid.

It also emerged yesterday that Baring Investment Management sold 22,222 ordinary shares in PWS on behalf of a discretionary management client on Monday. On Tuesday, 30,000 PWS shares were bought by a subsidiary of Opticford, which represents family interests of Mr Ben-Zur, PWS chief executive.

Further downturn for Camco

Camco, US-based supplier of gas lift equipment and safety systems to the energy industry, and a 65.4 per cent-owned subsidiary of Pearson, which also owns the Financial Times, yesterday reported that its income before tax for the third quarter of 1986 had fallen from $4.73m to $1.19m (£0.83m).

This followed downturns in the first and second quarters, and left the total for the nine months at $5.48m, a drop of $10.97m on the corresponding period of 1985.

The directors said the international market had declined in the third quarter following a dramatic drop in the domestic market during the second quarter.

They added that "although the decline in the international market was more gradual, it may well continue to reduce through the fourth quarter, while the domestic market is expected to stabilise at its current low level."

Net sales for the third quarter declined from $43.39m to $38.5m and the figure for the nine months was down by $8.45m at $120.02m. Tax accounted for $1.26m ($6.75m) and left nine months earnings at 57 cents ($1.33).

PHIT in white knight talks

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Property Holding and Investment Trust (PHIT) was late yesterday tied up in last minute discussions for its own takeover by an unspecified company. It has been attempting to fend away a tender offer for 19.9 per cent of its equity by Apex Group of New Zealand.

The Apex offer expires on Monday, leaving PHIT little time to work out other solutions.

Mr Arthur John, the chairman, said that he would be writing to shareholders within the next few hours. If there is to be a deal with a white knight, "it has to be quick or not at all," he said.

The tender offer was pitched at 160p a share with the possibility of a top-up payment. Since it was made, the PHIT shares have traded up to 169p, the level yesterday. "There is a genuine buyer in the market," Mr John said.

This genuine buyer is assumed to be the white knight, but the extent of his buying is less clear. Jobbers have attributed a large portion of the PHIT share price rise to marking up.

PHIT, with property holdings worth £161m, had not long succeeded in fighting off a £109m takeover bid from Greycoat before it was hit by the £37m Apex tender offer.

Hammerson on target at £22m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Hammerson, the British property group with extensive international interests, pushed up pre-tax profits to £22.2m in its first half to June, from £17.5m in the same period of 1985. But group figures continue to be dogged by currency fluctuations.

The interim dividend is maintained at 2p. The full payment for 1985 was 9.5p.

The results were precisely in line with expectations in the City. The share price rose 5p to 430p in advance of the figures and held the gain after they were announced.

Around 60 per cent of Hammerson's property holdings are overseas. The effect of this on earnings was the same in the half year as it had been during 1985, although less marked. Exchange rate movements pared the earnings per share down from 20.56p to 16.01p in 1985 and during the 1986 first half from 9p to 8.44p.

Changes in the group's property holdings have started to come through into the figures. Disposals of property in Paris from a portfolio bought from ICI Pension Fund and in Canada from a portfolio bought from Rank City Wall held down rental income.

Gross rental income in the first half was £58.8m against £61m in the 1985 first half. On the other hand gross profits from property trading were £2.3m against £146,000, of which £1.7m came from the Paris sales.

But rental income is expected to increase steadily as new developments come on stream. This should be most striking in the development programme for over 800,000 square feet of space.

At the same time, expansion has been taking place in Germany, where department stores have been bought for redevelopment in Bremen and Essen, and in Canada at a shopping centre complex in Toronto. And new projects are coming to completion in Los Angeles.

Philip Coggan examines Sir Anthony Jolliffe's plan to build a mini-conglomerate

Walker Greenbank ready for acquisitions

IN 1982, Sir Anthony Joliffe passed through the streets of London in the Lord Mayor's coach. His latest vehicle, Walker Greenbank engineering group may not appear as grand but the 48-year-old Sir Anthony hopes it will carry him to a future as head of a major industrial holdings group.

Sir Anthony is the latest in a long line of entrepreneurs who are aiming to build a mini-conglomerate from a base in the engineering sector. Mr David Abell at Suter, Mr Greg Hutchings at F. H. Tomkins and Mr Nigel Rudd at Williams Holdings are just three examples of businessmen who have built up industrial groups rapidly by using highly-rated shares to acquire less popular rivals.

As yet, Walker Greenbank is too small to rank with the Williams Holdings of this world. Its market capitalisation is only £27m, and turnover this year will be about £35m, but Sir Anthony's aim is to create a group with turnover of £200m within three years.

The group has interests including water treatment and carpet storage and handling, with heavy engineering products like gasholders, which take the by-products of steel-making, thrown in.

"There are some nice little businesses in the group," says Mr Tim Harris of Phillips & Drew. "Altair, the air filtration company, was bought for £1.6m in 1983 and should make just less than £800,000 this year. Welding Machines was bought in the same year for under £100,000 and it should make around £0.5m pre-tax this time on turnover of only £1.8m."

For the full year, analysts are expecting Walker Greenbank to make £3m to £3.5m, pre-tax,

Sir Anthony Jolliffe, chairman of Walker Greenbank

with £4.2m likely in 1987. At this year's interim stage, when the two halves of the group reported separately, Walker's pre-tax profits were £631,000 and Greenbank's £537,000.

The group was built by Sir Anthony with the help of his long time friend and partner, Mr John Pither. The two met when Sir Anthony was the auditor of Mr Pither's Watford Metal Industry Group, which subsequently formed the basis for Multiple Industries Group, the company they formed in 1983.

They make a well-matched duo, with the bouncing bonhomie of Sir Anthony counter-balanced by the quieter, cannier Mr Pither. In business, the financial expertise of Sir Anthony, who built up a successful accountancy practice, Jolliffe Cork, combines with Mr Pither's engineering know-how.

After considering a flotation on the Unlisted Securities Market, Multiple Industries reversed into C. & W. Walker Holdings, a listed engineering company which had not paid a dividend since 1980. The £2.3m deal concluded in January this year doubled the size of the group.

Having obtained a listing, Sir Anthony and Mr Pither were able to step up the pace of expansion. Last month, Walker merged with Greenbank, a group with similar interests in filter technology and in lift systems.

"Greenbank was a nice, steady business" comments Mr John McCready of County Securities, "but perhaps it had plateaued." According to Mr Tim Harris, Greenbank was "generating a fairly low return on sales." In the last full year before the merger, Greenbank made pre-tax profits of £1.7m on turnover of £15.9m, compared with figures of £2.38m on £12.7m back in 1982.

What Greenbank could contribute was a strong balance sheet and, as a result of the merger, Walker's gearing was cut from 122 per cent to 41 per cent.

In line with Sir Anthony's ambitions, the enlarged group is run along classic mini-conglomerate lines. Subsidiaries are encouraged to run themselves, subject to overall financial controls, and senior management is given equity stakes or share options.

With his background Sir Anthony should be in a good position to spot prospective purchases. "He won't have a shortage of acquisition targets with his accountancy and City connections" says Mr Stephen Handy of Kleinwort Grieveson.

Indeed, Walker Greenbank is already on the lookout and Sir Anthony is confident of success. "I intend to make another substantial acquisition within a year," he asserts.

The next move could be in the consumers products division which at the moment consists only of McKendrick and Wane, the carpet management company, which needs strengthening.

In the long run, Sir Anthony wants to create a broadly-based industrial group, with even financial services a potential area of expansion three years or so ahead.

Analysts are cautious about the prospects for the putative conglomerate.

"They certainly manage small companies well," argue Mr Harris "but we don't know yet what they can do with the large ones."

Mr Handy adds: "We know Sir Anthony is good at rationalising businesses but he may not really be a growth merchant." But if Walker Greenbank chooses its acquisitions carefully, Mr McCready believes it can succeed.

"There is room for another mini-conglomerate, provided they steer clear of heavy engineering."

The key to expansion lies in achieving the kind of rating which will allow the group to increase earnings per share by buying less well-rated companies.

Assuming that the company makes £3.4m this year, the shares are on a prospective p/e of 11.5, compare with the historic p/es of 25 at F. H. Tomkins and 20 at Williams Holdings. Sir Anthony still has some work to do, before like on of his illustrious predecessors, he will find whether the City's streets are paved with gold after all.

Concert party buys 'Inv Success' shares

Investing in Success Equities, the listed investment trust, said yesterday that Tamefollow Investments had acquired an additional 510,000 shares to raise its holding to 819,000 shares or 13.3 per cent of the trust's issued capital.

Investing in Success also said that Worldlink Trust had lifted its stake to 305,000 shares.

Also listed as parties to an agreement with Tamefollow and Worldlink were City Mutual Life nominees with 112,000 shares and Capita Financial Group with 500,000 shares.

SE listing for News Corp

News Corporation, the Australian holding company for Mr Rupert Murdoch's media interests, yesterday announced that it was too seek a listing on the London Stock Exchange for its existing ordinary shares.

The introduction is scheduled for November 12 and will be sponsored by Morgan Grenfell, the merchant bank, with Cazenove and Morgan Grenfell Securities as joint brokers.

News Corporation has a market capitalisation of about A$4.6bn (£2.04bn). At present it is listed in Sydney and on the New York stock exchange in the form of American Depositary Receipts.

The move is understood to reflect News Corporation's wish to broaden its shareholder base and to obtain a listing in a major financial market where it has trading interests. Its British subsidiary, News International, already has a London listing.

● Trinova, formerly Libbey-Owens-Ford, the US-based supplier of power control and plastic products, is to seek a London listing through an introduction on November 3. The sponsor is Kleinwort Benson and the broker Barclays de Zoete Wedd Securities.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anchor Chemical, British and Commonwealth Shipping, Equity and General, Feb International, Ferguson Industrial, French Connection, Garrard and National, Hunter Hay, London and Northern, Norcost Hotels, North Sea and General Oil Investments, Pineko, Investors Capital Trust, McKechnie Brothers, Pressac, Rand Mines Properties, Realty Useful.

FUTURE DATES

Interims—
Allas Converting Equipment ... Oct 24
BPB Industries ... Nov 26
Eastern Produce ... Oct 31
EMAP ... Nov 25
Feedex Agricultural Industs. ... Oct 29
Harris Queensway ... Oct 30
Unigate ... Nov 25

Finals—
Authority Investments ... Oct 24
Ayer Hitam Tin Dredging ... Oct 24

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Hammerson Prop ...int	2	—	2	—	9.5
Hawker Siddeley ...int	5	—	4.5	—	14.5
Intl City Bldgs	6	—	—	9	—
Secs Tst Scotland ...int	1	—	0.8*	—	2.5*
Stocklake	9	—	9	12	12
Wm Sinclair	†4.5	Nov 28	3.6	6.15	5.25
North Midland Cons	nil	—	0.3	nil	0.3

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Avis Europe prepares for £278m market debut

BY TERRY POVEY

AVIS EUROPE is to join the market on November 6 valued at £278m in one of the largest flotations so far this year other than privatisations. At 250p a share, the offer involves the sale of 72m new shares or 65 per cent of the car-hire group.

The offer will raise £177m net of expenses—of which £14m will remain with Avis Europe, formerly the Europe, Middle East and North Africa region of the US company. The remaining £163m will go to Wesray Capital Corporation.

Wesray, which is to retain 34.3 per cent of Avis Europe after the flotation, bought Avis Inc from Beatrice Foods earlier this year in a deal for which the total consideration was some $1.85bn, mostly in transferred debt.

Of the 72m shares on offer at least 10m are to be offered to European investors who may also apply for a further 10m shares. In addition, £6m-worth of 10.25 per cent cumulative preference shares (redeemable in 1991) are to be issued to institutions.

Forecasts of £18.4m profits after tax, minorities and preference dividends for the year to February 1987 produce earnings of 17.95p on a weighted average capital and puts the offer on a ratio of just under 14 times prospective earnings.

Avis Europe will pay £15m for the exclusive right to use the Avis name in this area for 50 years—this amount is included in Wesray's share of the proceeds of the issue.

Pre-tax profits have risen from £13.86m on sales revenue of £127m in 1981-82 to £25.46m on £197m in 1985-86. Avis is forecasting at least £33m pre-tax for the present year and a final and total dividend of 5.8p.

The portion of the issue proceeds staying with Avis Europe is to be used to reduce debt. Adjusting the balance sheet as of June 30 for the flotation proceeds, reporting accountants Price Waterhouse calculate that net assets will rise by £14m to £70.8m after net debt falls to £49.2m.

Mr Alun Cathcart, group managing director, accepted that Avis Europe's gearing looked high but he pointed out that about half of total assets were cars which could readily be sold.

As of June, the annual peak period, net debt was 70 per cent of shareholders' funds but would fall to about 30 per cent in the winter, he said.

Mr James Morley, group finance director, said that the profile of Avis Europe's debt had changed in the last year. This was reflected in the shift from short to longer-term debt during the first few months of 1986-87.

The offer for sale is being sponsored and underwritten by Morgan Grenfell. The brokers to the issue are Morgan Grenfell Securities and Cazenove. Applications for the shares open on October 30.

See Lex

AVIS EUROPE'S BALANCE SHEET

Year end Feb	1982	1983	1984	1985	1986	1986*
	£m	£m	£m	£m	£m	£m
Fixed assets	12	13.3	13.1	14.7	17.6	18.2
Vehicles	68.5	75.5	78.5	94.5	128.6	162.4
Total assets	143	168	174	219	253	302
Net debt	36.7	39.2	66.8	62.6	77.4	108.2
Net assets	41.1	43	42.1	44.8	53.5	56.8

* As of June 30

BCE Holdings on cue for USM

BY ALICE RAWSTHORN

BCE Holdings, a manufacturer and distributor of snooker tables and accessories, is joining the Unlisted Securities Market through a placing of shares which will value its business at £10.6m.

The company began life as Bristol Coin Equipment operating amusement arcades in the West Country. In 1979, when the snooker craze was in its nascence, it diversified into the manufacture and distribution of snooker tables, cues, balls and accessories.

BCE now provides the equipment for most of the major international professional snooker tournaments.

It ran into problems in the early 1980s when it first diversified into Canada, but the company has since recovered to produce pre-tax profits of £867,000 (£613,000) on turnover of £11.13m (£7.78m) in the year to March 31.

In the placing BCE will release 7.24m shares, or 25.9 per cent of its equity, at 38p a share. The board anticipates profits of at least £1.1m in the current financial year producing earnings per share of 3p and a prospective p/e of 12.6 at the offer price.

All the proceeds of the flotation—around £2.55m—will be ploughed back into the company.

Mr David Fisher, the chairman, says that the capital will be used initially to eradicate borrowings but will then be invested in a new distribution centre in Belgium—in order to nurture the incipient snooker market in Europe—and to develop a cue manufacturing plant in Canada to open up the North American pool market.

Once the company is established on the USM it intends to embark upon acquisitions.

Tootal bids £18.5m for Sandhurst Marketing

By Nikki Tait

Tootal, the threads and textiles group, yesterday announced an £18.5m agreed bid in paper and cash for Sandhurst Marketing, which markets and distributes stationery and office equipment.

The acquisition is the first made by the new management as part of their growth strategy.

According to Mr Geoffrey Maddrell, who moved in as managing director of Tootal last February from Bowater Industries, the company has targeted stationery — specifically contract and commercial—as a growth business where design and marketing skills similar to those used in its textile business could be employed.

Sandhurst is one of the largest stationery distributors in the £900m UK market—its major competitor is Cartwright Brice, owned by Hillsdown Holdings, who also had talks—and customers range from City firms like Hill Samuel to Kodak.

However, the recent profits record has been patchy, with the pre-tax figure falling from £1.57m in the year to end-January 1985 to £1.05m in the following twelve months. Debts, moreover, have risen to around the £3m-level, over 100 per cent of shareholders' funds, partly as the result of moving to a new £4m office/warehousing complex in Horsham where Sandhurst owns the freebold.

Tootal is offering one new share for each Sandhurst share held, with a partial cash alternative of 88p. Tootal shares fell 2½p to 89½p on the news, while Sandhurst was unchanged at 86p.

The cash option is restricted to a total of 11.2m Tootal shares. Morgan Grenfell, Tootal's advisers, have underpinned the cash alternative at 86p, so the maximum cost to Tootal will be £224,000.

Acceptances have already been received in respect of 63.3 per cent of the Sandhurst shares, including those held by the directors and the founding Hulme family.

Mr Maddrell plans to reduce debt by renegotiating certain finance leases and possibly making some small disposals, *and pre-tax profits are forecast* to recover to £1.5m in the current year.

Public Works Loan Board rates

Effective October 22

Years	Quota loans repaid by EIP† %	Quota loans repaid A‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid A‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	11¼	—	—	12¼
Over 1 up to 2	11¾	11¾	11¾	12¼	12¼	12¼
Over 2 up to 3	11¾	11¾	11¾	12¼	12¼	12¼
Over 3 up to 4	11¾	11¾	11¾	12¼	12¼	12¼
Over 4 up to 5	11¾	11¾	11¾	12¼	12¼	12¼
Over 5 up to 6	11¾	11¾	11¾	11¾	11¾	11¾
Over 6 up to 7	11¾	11¾	11¾	11⅞	11⅞	12
Over 7 up to 8	11¾	11¾	11⅝	11⅞	11⅞	12
Over 8 up to 9	11¾	11¾	11½	11⅞	11⅞	11⅞
Over 9 up to 10	11¾	11½	11½	11⅞	11⅞	11⅞
Over 10 up to 15	11½	11¼	11¼	12	11⅞	11¾
Over 15 up to 25	11¼	11	10⅞	11⅝	11½	11⅜
Over 25	11	10⅞	10⅞	11½	11⅜	11⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Two directors quit board of ATA Selection

By Alice Rawsthorn

ATA Selection, the USM quoted recruitment consultancy, yesterday announced the resignation of its managing director, Mr Geoffrey Fox, and its financial director, Mr Bernard Farmer.

The company said in a statement yesterday that both directors had left "to pursue private business interests." Mr Fox, who has been with ATA for 16 years, has sold his shareholding, which amounted to 25.1 per cent of the equity, through a placing. Mr Farmer has been at ATA for 18 months.

ATA has expanded rapidly since it first surfaced on the USM in a placing of shares in July last year. The company specialises in recruitment for the sales and electronic engineering sectors and is also involved in recruitment for the advertising industry through its subsidiary, Capital & Provincial Advertising.

In 1985, ATA increased pre-tax profits by 31 per cent to £596,000 on turnover which rose by 5 per cent to £2.47m.

ATA said yesterday that it intends to make a formal announcement about the future composition of the board. The company's share price remained stable at 58p yesterday.

New managers at Wemyss

Wemyss Investment Trust has awarded its management contract to a new joint venture between Industrial Finance and Investment Corporation, a financial trust, and APA Holdings, insurance and financial services subsidiary of Unity Corporation of Australia.

Wemyss, which was formerly managed by Edinburgh Fund Managers, had assets of £14.8m at March 31. APA holds a *controlling* interest in the listed investment trust.

The creation of APA Ifico Investment Management follows the Australian company's acquisition of more than 40 per cent of Ifico last month. APA's interest now exceeds 44 per cent with share purchases and the taking up of rights arising from Ifico's purchase of FMWW Holdings, the Colchester stockbroker.

Ifico said yesterday that acceptances had been received for 91.5 per cent of the ordinary shares offered in the rights issue. The balance had been allotted to APA.

I.G. INDEX
FT for November
1,264—1,271 (−3)
Tel: 01-828 5699

Contracts & Tenders

INVITATION FOR BIDS

1) The Republic of Turkey has received a loan from the International Bank for Reconstruction and Development (IBRD) in various currencies towards the cost of the Third Ports Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contracts for which this invitation to bid is issued.
2) The Turkish State Railways (Türkiye Cumhuriyeti Devlet Demiryollari Isletmesi Genel Müdürlügü-TCDD) now invites bids for the supply of:
   —7 pieces of mobile crane for handling containers and piggy-back operations.
   —58 pieces of 5th wheel Tractor.
   —69 pieces of Roll type trailer.
   —34 pieces of general cargo forklift trucks.
   7 pieces of empty container handling forklift trucks.
   —2 pieces of Special Storage facilities.
   —Marine fender.
3) The invitation to bid is only open for the suppliers from member countries of the IBRD, Switzerland and Taiwan.
4) All bids must be accompanied by a security of 2% of the total value of the bid.
5) Tender documents pertaining each of the above inquiry may be purchased against remittance of US$125 each from the following address as *from September 24 1986 and the bids shall be submitted* until November 24 1986 15.00 hours at the latest.

TCDD ISLETMESI GENEL MUDURLUGU,
Malzeme Dairesi Baskanligi,
Gar-Ankara, TURKEY.

Personal

Company Notices

CENTRAL-EUROPEAN INTERNATIONAL BANK LTD
$ US 30.000.000 FLOATING RATE NOTES DUE 1996

For the six months, October 15, 1986 to April 14, 1987 the rate of interest has been fixed at 6 1/8 % P.A.

The interest due on April 15, 1987 against coupon nr 2 will be $ US 3096,53 and has been computed on the actual number of days elapsed (182) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

SOCIETE GENERALE ALSACIENNE DE BANQUE
$ US 40.000.000 FLOATING RATE NOTES DUE 1995

For the six months, October 15, 1986 to April 14, 1987 the rate of interest has been fixed at 5 15/16 % P.A.

The interest due on April 15, 1987 against coupon nr 4 will be $ US 300.17 and has been computed on the actual number of days elapsed (182) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

PORTS AUTONOMES

BORDEAUX—DUNKERQUE—LE HAVRE—MARSEILLE—NANTES—SAINT NAZAIRE—PARIS

Public Corporations of the French State incorporated in accordance with the laws dated June 29, 1965 and October 28, 1968

9% BONDS 1976-1991 OF US$1,000 EACH

Numerical Lists

1°) of the series including the 4,000 bonds drawn at the fifth drawing by lot on October 10, 1986 and representing the entire annuity of US$4,000,000 to be redeemed on November 15, 1986:
13.331 to 17.330

2°) of the series previously called for redemption including securities not yet presented for redemption:
Drawing on October 12, 1984—Reimbursement November 15, 1984
2,061 to 6,060
Drawing on October 11, 1985—Reimbursement November 15, 1985
1,331 to 2,060
6,061 to 7,128
11,129 to 13,330

These bonds will be redeemable at US$1,000 at FRENCH AMERICAN BANKING CORPORATION in NEW YORK and at the offices of the following Establishments:
—BANQUE NATIONALE DE PARIS, PARIS
—BANQUE BRUXELLES LAMBERT, BRUXELLES
—BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A., LUXEMBOURG
—BANQUE INTERNATIONALE à LUXEMBOURG
—BANQUE PARIBAS, PARIS
—CREDIT LYONNAIS, PARIS
—DEUTSCHE BANK AKTIENGESELLSCHAFT, FRANCFORT-SUR-LE-MAIN
—SOCIETE GENERALE, PARIS
—SWISS BANK CORPORATION, BALE

Outstanding amount: US$24,000,000.

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)

CANADIAN PACIFIC LIMITED
Perpetual 4% Consolidated Debenture Stock
NEW BRUNSWICK RAILWAY COMPANY
4% Debenture Stock
CALGARY & EDMONTON RAILWAY COMPANY
4% Debenture Stock

In preparation for the payment of the half-yearly interest due January 1 1987 on the above Stocks, the transfer books will be closed at 3.30 pm on November 28 1986 and will be re-opened on January 2 1987.

D. R. KEAST
Deputy Secretary

50 Finsbury Square
London EC2A 1DD
October 23 1986

Public Notices

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION

Acquisition by Trusthouse Forte plc of certain assets formerly of Hanson Trust plc

On October 2 1986 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report under the provisions of the Fair Trading Act 1973 the acquisition by Trusthouse Forte plc of Imperial Inns, Anchor Hotels, Welcome Break Motorway service areas, and Happy Eater restaurants formerly of Hanson Trust plc.

The Commission are required to make their report by April 2 1987. Any person or organisation wishing to give information or views on this acquisition should write as soon as possible to:

The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT

PETITION FOR CONFIRMATION OF REDUCTION OF CAPITAL
(Pursuant to the Companies Act 1985 Section 136(1))

NOTICE IS HEREBY GIVEN that in a Petition presented to Peak Holdings plc having their registered office at Abbey *House, 10 Bothwell Street, Glasgow, for* confirmation of Reduction of Capital, an Order was pronounced by the Inner House of the Court of Session at Edinburgh on 15th October 1986 to appoint a copy of said Petition to be intimated on the walls of Court and advertisement of said Order; and further to allow any person claiming an interest, if they intend to show cause why the prayer of the Petition should not be granted, to lodge Answers thereto within fourteen days after such intimation and advertisement.

BIGGART BAILLIE & GIFFORD,
Solicitors for Petitioners,
5 Glenfinlas Street,
Edinburgh EH3 6YY.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord. ...	133	—	7.3	5.5	8.1	7.6
151	121	Ass. Brit. Ind. CULS...	130	—	10.0	7.7	—	—
125	43	Airsprung Group	96	—	7.6	7.9	6.0	5.4
46	28	Armitage and Rhodes...	37xd	—	4.2	11.4	5.2	4.7
198	108	Bardon Hill	198	—	4.6	2.3	22.5	20.6
84	42	Bray Technologies ...	84xd	—	4.3	5.1	10.0	9.1
201	75	CCL Ordinary	98	+1	2.9	3.0	7.0	10.9
152	86	CCL 11pc Conv. Pf. ...	89	—	15.7	17.6	—	—
253	80	Carborundum Ord.	253	—	9.1	3.6	12.2	12.5
94	83	Carborundum 7.5pc Pf.	92	+1	10.7	11.6	—	—
146	46	Deborah Services	146	—	7.0	4.8	16.2	20.0
32	20	Frederick Parker Group	22½	−0½	—	—	—	—
125	50	George Blair	98	−2	3.8	3.9	2.5	3.6
93	30	Ind. Precision Castings	93	—	6.7	7.2	8.3	8.2
218	152	Isis Group	152	—	18.3	12.0	8.7	6.8
128	101	Jackson Group	128	—	6.1	4.8	8.7	7.8
377	228	James Burrough	370	—	17.0	4.6	10.4	9.5
100	85	James Burrough 9pcPf.	93	—	12.9	13.9	—	—
1035	342	Multihouse NV	790	−50	—	—	41.4	54.0
380	260	Record Ridgway Ord....	379	—	—	—	6.8	11.7
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
90	32	Robert Jenkins	89	−1	—	—	3.9	5.6
38	28	Scruttons "A"	36	—	—	—	—	—
127	66	Torday and Carlisle ...	127xd	—	8.7	4.5	7.7	7.8
370	320	Trevian Holdings	322	—	7.9	2.5	6.7	8.8
70	25	Unilock Holdings	68	−1	2.8	4.1	12.5	11.7
102	47	Walter Alexander	97	—	5.0	5.1	9.3	8.9
226	190	W. S. Yeates	197	—	17.4	8.8	19.7	21.9

UK COMPANY NEWS

ICH checked by expansion costs and exchange rates

BY RICHARD TOMKINS

International City Holdings, the money broking group which was floated on the stock market last November, yesterday blamed expansion costs and adverse exchange rates for limiting pre-tax profits to £13.1m for the year to July 31 1986.

The figure represents a 24 per cent rise over the previous year's £10.6m, but includes a first-time contribution of over £1m from MKI, the US inter-dealer broker acquired in April, and a saving of over £1m in net interest payable because of the proceeds of the flotation.

Mr Robin Packshaw, group chairman, said a charge of £500,000 had been taken against the profit and loss account for the setting up of Charles Fulton (IDB), its UK inter-dealer broker, and the group had also expanded the range of money market instruments and currencies it broked.

ICH had recently moved into broking the dollar/yen spot and had opened an office in Los Angeles.

"These considerable investments have inevitably affected last year's profits, but the benefits should flow through in this and future years," Mr Packshaw said.

Another factor affecting the results was the weakness of sterling against the dollar. Although ICH took action to hedge its currency risk, it estimated that exchange rates had cost it at least £1m.

Group turnover rose from £44.1m to £62.2m and operating profit rose from £12.1m to £13.6m. Net interest payable

Mr Robin Packshaw, chairman of ICH

fell from £1.6m to £500,000.

The tax charge fell from £1.6m to £1.2m through what Mr Packshaw described as efficient tax planning, so helping to lift earnings per share from 25.1p to 27.3p. The dividend is 6p, as forecast.

Mr Packshaw said ICH's immediate priorities were to complete its world-wide network and to maximise profits from the businesses it had brought together. At the same time it would utilise its enlarged client base to expand its financial and technical services group.

Referring to the departure of ICH's managing director, Mr Peter Saad, to join the management consortiums buying out two rival firms from MAI, Mr Packshaw said his appointment as managing director had been to co-ordinate the group, particularly on the money broking side.

"But in the end it didn't work out and he left by mutual agreement. There is enormous toing and froing in this market and his departure isn't significant or particularly unusual," he stated.

● comment

ICH's debut at 190p last November looked at the time as though it were too much too soon, and yesterday's close of 178p at the end of its disappointing first year on the market confirmed that this assessment was correct. The group might have done better to leave the flotation another year, taking its development costs on the nose and rewarding investors with the sort of performance they had been encouraged to expect in 1986. As it is, the virtually flat operating profit figure (ex-MKI) has opened up a credibility gap that will prove hard to bridge. The current year's performance ought to be a step in the right direction, for a full year from MKI, the pay-off from investments made last year and less unfavourable exchange rates should help to produce at least £18m. At that level a tax charge of 15 per cent would have the shares on a prospective p/e multiple of just over 5—a lowly figure even for this sector, but one which reflects the City's jaundiced view of the stock.

CU to pay £19m in US asbestosis court case

By Nick Bunker

A US subsidiary of Commercial Union, the UK composite insurer, has settled a long-running legal dispute by agreeing to pay $27m (£18.9m) over the next four year to Manville Corporation, the Colorado-based fibre and forest products group.

The settlement will terminate several years of US litigation between Manville and Commercial Union. The dispute arose from asbestosis-related claims by Manville against Commercial Union insurance policies dating back to the 1930s.

Mr John Linbourn, a Commercial Union executive director, said in London that the payments would have no impact on Commercial Union's results. The company had substantial reinsurance cover and other provisions against claims by Manville.

Manville originally sued some 27 insurers in 1980, when it faced huge claims for damages from asbestosis victims. In 1982, the weight of claims forced Manville to file for protection under Chapter 11 of the US bankruptcy code.

The settlement with Commercial Union is subject to a US bankruptcy court approving Manville's Chapter 11 reorganisation plan. If approved, the $27.1m will be paid in four instalments due to start either next July or five days after court approval of Manville's reorganisation plan, whichever is the later date.

Manville has now settled 21 out of its 27 claims against insurers.

Wm Sinclair lifts profits to £1.5m

William Sinclair Holdings, which earlier this year sold its agricultural seeds business to Imperial Chemical Industries for a little over £5m, raised its 1985-86 profits by £118,000 to £1.51m pre-tax.

The final dividend of this USM stock is being stepped up from 3.8p to 4.5p, making a total of 6.15p (5.25p) net per 25p share. A scrip issue on a one-for-five basis is also proposed.

The year to June 30, 1986, saw bank and other interest charges fall by £70,000 to £194,000. Tax, however, accounted for £464,000 this time compared with previous credits of £121,000.

Net profits emerged at £687,000 (£1.15m), equal to earnings of 14.3p (24.37p) per 25p share. There was an extraordinary credit of £1.48m (£17,000 debit) being principally a surplus on the disposal of the agricultural seeds business.

In May, at the time of the sale, the directors said they had decided on expansion of the garden leisure market.

In agreeing to sell Sinclair McGill, a leading UK seed marketing company, they had recognised that to compete in the future in the heavily researched area of plant biotechnology would have been beyond the existing resources of the group.

Turnover for the year totalled £24.19m (£24.44m). Profits before interest and tax (£1.35m, against £1.3m) broke down as to horticulture and leisure £592,000 (£557,000) and agricultural seeds and merchanting (now discontinued) £753,000 (£740,000).

Retained profits worked through at £1.87m (£0.89m), increasing net asset value per share from £1.62 to £2.07.

B&C purchase aimed as a base for acquisitions

BY CHARLES BATCHELOR

British and Commonwealth Shipping (B. and C.), the transport and financial services group headed by Mr John Gunn, is moving into the field of advertising and design consultancy with the purchase of a 24 per cent stake in Wood Brigdale, Nisbet and Robinson.

The aim is to use Wood Brigdale as the base for acquisitions in communications business, possibly leading to a public flotation for the company in 1987.

Wood Brigdale is a London-based advertising agency and design group. Founded in 1969, its chairman is Mr John Wood, who is deputy chairman of Republicans Abroad, the US political group for American expatriates.

It specialises in corporate and financial advertising and includes Boston Trust, Citicorp and Mitsui among its clients. Wood Brigdale has a strong balance sheet with a large net cash position but it gave no figures.

Mr Gunn said: "There is a tremendous opportunity to build a top-level consultancy group that specialises in communications and related services."

There are parallels with the growth of Abaco, a company which has acquired a series of professional partnerships in the property and personal finance area over the past three years.

B&C has steadily increased its shareholding in Abaco, which already has a Stock Exchange quotation, to 27.4 per cent.

New issues help First Charlotte

First Charlotte Assets Trust, investment trust, lifted its net asset value per 5p share from 11p to 13p in the six months to September 30 1986.

After tax of £20,000 (£21,000) revenue rose from £25,000 last time to £56,000 with a per share value at 0.07p (0.03p).

The directors said the results reflected good performances from a number of existing holdings such as Flogas, Hawtal Whiting and Goodhead Print Group and successful involvement in a number of new issues.

They said they were confident about the company's long-term future

Strong and Fisher ups Garnar stake to 12.9%

BY DAVID GOODHART

Strong and Fisher yesterday boosted its stake in Garnar Booth to 12.9 per cent on the eve of today's first closing date for the £20m leather industry takeover contest.

Mr Ian Brealey of merchant bank Hambros, representing Strong and Fisher, said that far more shares in Garnar could have been acquired at just above the cash alternative price and added that following soundings among large investors he expected a result "in the next fortnight."

The bid will first have to pass the Office of Fair Trading which is not expected to make its decision known until next week.

Garnar and its advisers Henry Ansbacher have put a lot of effort into arguing the case for a referral to the OFT. They are arguing that the combined company would be buying about one-third of all sheep and lamb skins in the UK which would hit the smaller tanners. They are also drawing attention to the high level of gearing that they claim Strong and Fisher will have to carry.

IMI purchase

IMI, metals and engineering group, has bought McKinnon Nicholls, Australian maker of pneumatic and hydraulic cylinders, for A$3.25m (£1.33m).

The purchase from Wormald International, marks a further expansion of IMI's fluid power division. The company earlier this year acquired Martonair International, valve manufacturer, in an £88m agreed bid.

McKinnon Nicholls also distributes imported fluid power, process control and automation equipment.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
2nd qtr.	108.9	104.5	109	115.0	141.4	3,174	161.7
3rd qtr.	108.4	103.7	103	116.3	145.2	3,124	164.4
4th qtr.	108.4	103.5	105	116.6	177.7	3,122	168.2
1986							
1st qtr.	109.2	102.7	97	118.0	145.4	3,171	164.6
2nd qtr.	108.9	103.5	106	120.2	152.7	3,208	175.1
3rd qtr.				122.1		3,212	201.5
February	109.5	102.0	96	117.2	140.9	3,161	165.0
March	109.5	102.9	105	119.3	148.6	3,199	168.3
April	110.7	104.1	99	119.3	152.1	3,200	169.0
May	108.4	103.1	110	118.2	149.8	3,205	171.1
June	107.5	103.4	109	122.4	155.4	3,220	185.3
July	109.8	104.4		120.9	158.2	3,223	196.2
August	110.4	104.1		122.6	155.2	3,219	201.3
September				122.8		3,197	208.0

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Houng. starts*
1985							
2nd qtr.	103.4	105.0	112.5	105.6	115.9	102.1	18.2
3rd qtr.	104.3	103.3	113.3	103.5	114.4	102.3	17.3
4th qtr.	103.7	102.6	113.5	103.1	111.6	102.8	15.6
1986							
1st qtr.	102.8	102.6	115.3	102.2	110.3	103.1	14.2
2nd qtr.	104.1	101.9	114.2	102.5	111.6	102.9	20.0
January	101.8	102.3	114.3	102.0	111.0	102.0	12.9
February	102.4	102.4	116.3	102.0	110.0	104.0	12.5
March	103.2	103.1	115.4	102.0	110.0	103.0	16.3
April	104.7	102.5	117.2	103.0	109.0	105.0	18.7
May	103.6	101.8	112.6	102.0	112.0	101.0	19.2
June	103.9	101.5	111.9	102.0	114.0	103.0	22.1
July	104.5	102.6	115.4	104.0	113.0	102.0	21.6
August	104.6	101.9	117.0	103.0	112.0	105.0	15.6

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,587	+2,411	97.8	14.32
3rd qtr.	116.3	124.1	−453	+1,472	+1,900	100.2	14.18
4th qtr.	118.9	127.9	−292	+612	+1,893	101.6	15.54
1986							
1st qtr.	117.4	126.1	−1,450	+507	+1,022	101.1	18.75
2nd qtr.	120.5	128.1	−1,612	+345	+722	102.4	19.29
February	120.6	125.9	−378	+161	+642	100.7	15.81
March	112.0	122.3	−1,285	−666	+320	100.7	18.75
April	121.5	123.4	−293	+300	+252	101.7	18.90
May	120.2	131.2	−698	− 46	+201	102.0	19.17
June	120.7	129.6	−623	+ 30	+279	103.6	19.29
July	126.6	134.0	−588	+ 12	+261	103.2	19.06
August	117.3	142.3	−1,486	−886	+311	103.0	18.92
September							22.40

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
2nd qtr.	5.1	22.4	20.4	13.2	1,528	3,082	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,374	11.50
4th qtr.	1.4	25.1	17.8	17.7	2,290	3,421	11.50
1986							
1st qtr.	6.5	9.0	10.7	12.2	2,220	7,285	11.00
2nd qtr.	2.5	33.0	32.2	26.7	1,433	7,658	10.00
February	4.6	5.3	6.8	9.1	782	2,491	12.50
March	5.1	8.2	14.3	16.4	657	2,300	11.50
April	0.3	21.5	28.6	24.5	756	2,743	11.50
May	3.5	42.8	39.4	27.9	500	2,372	10.00
June	3.8	35.1	33.5	25.0	177	2,543	10.00
July	3.7	29.1	18.5	15.9	397	2,719	10.00
August	5.4	18.5	11.0	17.8	452	2,684	10.00
September					−671		10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
2nd qtr.	170.3	128.8	139.4	375.3	339.4	1,964	78.9
3rd qtr.	174.4	133.1	140.3	376.3	335.5	1,766	82.2
4th qtr.	176.3	132.6	141.4	378.1	337.4	1,771	79.5
1986							
1st qtr.	179.1	128.6	143.4	380.5	342.3	1,813	75.1
2nd qtr.	184.6	126.1	145.7	385.7	349.5	1,453	76.1
3rd qtr.		121.3	146.3	388.1	348.1	1,498	71.9
February	177.9	128.5	143.3	381.1	343.6	1,888	74.2
March	182.4	129.4	144.3	381.6	345.2	1,813	74.6
April	184.0	127.1	145.4	385.3	347.4	1,786	76.2
May	183.3	126.7	145.9	386.0	349.8	1,763	78.1
June	185.7	124.6	145.8	385.8	351.4	1,453	75.9
July	187.9	120.0	145.9	384.7	347.4	1,460	74.9
August	187.2	120.6	146.3	385.9	348.8	1,461	71.4
September		122.9	146.7	387.2	348.3	1,544	70.4

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

APPOINTMENTS

Jeff Benson to become chairman of 600 Group

Mr Jeff Benson will succeed Sir Jack Wellings as chairman of THE 600 GROUP on April 1. Mr Benson has been a non-executive director of The 600 Group since June 1983 and was appointed vice chairman in 1984. He is a deputy chairman of National Westminster Bank, a director of National Westminster Bank USA, deputy chairman of the supervisory board of Deutsche Westminster Bank and chairman of the Export Guarantees Advisory Council.

★

Mr Colin Langley has joined COSTAIN as engineering and construction marketing and business development director from SGB group where he held board appointments responsible for three principal divisions.

★

Mr James Cockeram has been appointed marketing director of GRANTS OF ST JAMES'S from January 1. He joins from Vine Products and Whiteways where he was marketing manager. Mr Ian Hannah, previously marketing director, has become marketing director of European Cellars, parent company of Grants of St James's.

★

The senior management team for the new NORWICH AND PETERBOROUGH BUILDING SOCIETY has been announced, to take effect from October 31 when the new society will be formed by a merger between the Norwich Building Society and the Peterborough Building Society. Chairman of the new society will be Mr Bob Sutton, currently chairman of Norwich Building Society, and the chief executive will be Mr Martin Armstrong, currently general manager of Peterborough Building Society. Mr Albert Catt, currently acting general manager of Norwich Building Society, will be secretary of the new society. Mr Ian Ward and Mr Ken Beaton will be joint general managers.

★

Mr J. A. de Havilland and Mr R. M. O. Stanley have resigned from the board of FRIENDS' PROVIDENT LIFE OFFICE. Mr M. F. Doerr has resigned from the board of UK Provident but continues as a member of the institution's general management. Mr R. S. Bignell, the appointed actuary of UK Provident, has been appointed to the board of the institution.

★

Mr Martin Shears has been appointed managing director of ASTLEYS AND PEARCE (STERLING).

★

Mr Stephen Neal, who recently joined McGRAW-HILL BOOK COMPANY (UK) as managing director, has been appointed group vice president for UK, Europe, Africa and the Middle East. He now has responsibility for all book company operations in these areas, and remains as managing director of the UK book company. In addition, he becomes responsible for the UK-based training company. Before joining McGraw-Hill, Mr Neal was managing director of Pitman Publishing.

★

Mr C. G. Copland has been appointed finance director of STEPHENSON CLARKE INDUSTRIAL FUELS, a subsidiary of Powell Duffryn. Mr Copland, who joined the company last January, remains company secretary.

★

Mr John A. Armitt has been appointed a joint managing director of LAING MANAGEMENT CONTRACTING responsible for its international activities, in addition to his role as managing director of John Laing International. Mr Stuart J. Doughty becomes managing director of the UK civil engineering division of JLC. Mr Anthony Wasikowski has been appointed chief estimator for John Laing Construction.

★

Mr Christopher Allanson has been appointed chief executive officer of the PRICE & PIERCE GROUP. Formerly with the ITM Group and John Holt he takes over from chairman and chief executive officer, Mr Hugh Gilbert, who will continue as chairman until his retirement next March.

★

The following will be admitted to the partnership of ARTHUR YOUNG from November 1: Mr Laurence Bard (corporate tax, London); Mr Peter Curtis (audit, London); Mr Kim Hayward (audit, Luton); Mr David London); Mr Ian Hunter (tax, Edinburgh); Mr Mark Molyneux (business services group, Cardiff); Mr Mark Pallos (insolvency, Cambridge); Mr Andrew Pollock (business services group, London); Mr John Readman (insolvency, Glasgow); Mr Ashok Shah (tax, Luton); and Mr Colin Warner (expatriate tax, London).

★

DIXONS GROUP has made the following appointments: Mr Danny Churchill as purchasing director for Dixons Limited. He was sales and marketing director for Sanyo. Mr Bob Gavaghan will be joining Dixons Financial Services as commercial director. He was main board director for marketing, buying and productivity at Fine Fare. Mr Malcolm Sevren has been promoted to marketing director of Dixons Financial Services after two years as marketing director of Dixons Colour Laboratories. Mr Malcolm Alden has joined as marketing director of Dixons Colour Laboratories. Previously he was marketing director at Grunwicks. Mr Keith Hendron is joining Mastercare as spares director.

★

Dr A. A. Denton and Mr S. K. Morgan have been appointed chairman and chief executive respectively of NOBLE DENTON & ASSOCIATES.

BUSINESS LAW

Mammoth task of dealing with fraud

By CELIA HAMPTON

"I CANNOT define an elephant, but I know one when I see it." Fraud is itself an elephant, and it has espoused another, "dishonesty."

Law-makers, judges and writers like these elephants because the common juryman can be expected to grasp the idea easily and mould it to the current moral mood. Their function is to draw the line between dishonourable conduct, for which the retribution may be a liability to pay damages, and fraud, for which the retribution is prison.

The Theft Act provides two important crimes — theft and obtaining by deception—and a range of others capable of dealing with fraud. The intention was to draft the Act in simple language within the ordinary person's concept of stealing, etc. This, not unpredictably, has not been borne out by experience of its working.

Another simple offence—conspiracy to defraud—necessarily involves two or more people, but has great potential to curb unacceptable conduct.

On top of these is a battery of statutory offences, such as insider dealing, which meticulously and at great length define conduct that merits prosecution and punishment but does not come within the common dishonesty of basic fraud.

However, the impact of many of these on behaviour is not always striking. Prosecution needs society's support, and the results on insider dealing speak for themselves. Of 94 cases referred to government since 1980, only five had been prosecuted by March 1986. The Stock Exchange has been vigilant, but the public will, as expressed in the public purse, has not been roused. The US Securities and Exchange Commission has a whole division devoted to this matter alone, but the SEC costs the US taxpayer a lot of money.

There is no doubt, even in the City, that the impending tumult is likely to give a great many opportunities for unacceptable conduct and a good few for fraud proper.

Vigilant enforcement and a vigorous law are both imperative. The law can be more than a safety net. It can guide commercial practices and promote honesty, not merely catch the malefactor once the harm is done.

The Government, Parliament and the City itself have not given the change-over time or a fair chance. The result must be confusion.

The technology of fraud has outstripped the comprehension of the ordinary lawyer. The civil law is slow to adapt. Basics of electronic funds transfer (who pays what, when, to whom?) remain opaque.

Some problems will undoubtedly be resolved, probably quite soon, when there is the first serious collapse. New areas of conflict of interest, for instance in a firm offering its own wares for sale to clients it is supposed to be advising impartially, will challenge a law concerned in a gentlemanly way with agents accounting for secret profits. What can it have to say about selling the shares in a new issue before any shares exist? Will the City's trade bodies' rulebooks, which will have some legal force in disputes, provide the necessary law codes? This is an odd form of legislation. Without serious thought, the law could come to be seen as either ingenuous or irrelevant.

The apparent lack of preparation is alarming. The speed of passing the relevant measures must preclude sensible analysis before they become law. Would a constitutional provision to allow bills like the Financial Services Bill to be held over in their current state to the next parliamentary session be such an abomination?

The criminal law has more need of certainty even than the civil law. Earlier this month the Government gave the go-ahead for new enforcement machinery—the Serious Fraud Office—and procedural improvements.

How fit is the ordinary man's criminal law to take it on? It was recently helped by a House of Lords ruling*, cancelling its own 1984 ruling which had set up an absurd technicality about not charging a conspiracy to defraud when a conspiracy to commit some other offence, however trivial, could be proved. This had defeated prosecutions for major frauds. "It is so important to appreciate that judicial language has no legislative force," said Lord Bridge.

The development of fraud law in Canada has been explored in a helpful book† published this summer. The Supreme Court's formulation of fraud in powerful but easily understood terms grew out of the law which Canada shares with England. The concepts are common, but the Canadian wins at the moment on clarity.

The underlying Canadian law has an advantage in the Criminal Code which, since 1948, has provided an offence, which may be done alone, for anyone "who, by deceit, falsehood or other fraudulent means . . . defrauds the public or any person, whether ascertained or not, of any property, money or valuable security." The second half of the section applies similar criteria to "affecting the public market price of stocks, shares, merchandise or anything that is offered for sale to the public."

The case involved a takeover, funded by the target company's assets, which replaced the target company's blue-chip stock portfolio with a much more speculative investment in another company. This acquisition was not treated as fraud, and the court did not treat as decisive the fact that the defendants used the target company's assets to acquire it. Takeovers often involve complex money movements.

If corporate funds are put at risk, there must be a legitimate business reason for it, considered from the company's point of view. If the risk is for personal ends, there is likely to be fraud.

Fraud involves dishonesty and deprivation. Deprivation does not necessarily entail actual economic loss. It can be prejudice or the risk of prejudice to economic interests. An asset at risk has a lower value than an asset not at risk, so the deprivation can be financially measured.

The case is not inconsistent with English law and the clarity is compelling. "Dishonesty" means, roughly, conduct which ordinary people would recognise as discreditable since it is contrary to straightforward honourable dealings.

But there is still room for despair. In July 1986‡ the Court of Appeal ruled that using a cheque card dishonestly when there is not enough money in the account to cover the cheque cannot be theft. It was not an assumption of the rights of the bank, and so not an appropriation of another's property, but it merely gave the payee a contractual right to be paid by the bank. So much for simple language.

The judges could also try to come nearer to common men's thinking. In another context — bankruptcy — Mr Justice Millett§ ruled that, when a credit company folds up, the unpaid supplier cannot go for payment to the cardholder direct if the cardholder's obligation to pay the company had not matured at the time of the insolvency: the filling station could not get money for the petrol "sold" on the card, and the driver got a free tankful of petrol. What was remarkable about this unfortunate finding—based on the timing of the various contracts—was that the judge reached his conclusion because, in his view, this conformed to the general public understanding. He should perhaps take a walk out of the Chancery Division into the Strand to see how many people would agree. He might not like the ones who did.

Clear perception of the underlying principles is what is needed. Over-precise definition deepens obscurity.

The elephant is "a huge quadruped of the pachydermate order, having long curving ivory tusks and a prehensile proboscis." Pachydermata are "an order of mammalia in Cuvier's classification (now discarded) consisting of the hoofed or ungulate quadrupeds which do not end with cud, such as the elephant. . . ." But how long is "long," and how big is "huge?". The "proboscis" itself is defined as "an elephant's trunk"—and so on. It is not helpful.

** R v Cooke (1986) 2 AER 985.*
† J Douglas Ewart, "Criminal Fraud" (Carswell). The Supreme Court case is R v Olan (1978) 2 SCR 1175.
‡ R v Navvabi (1986) 3 AER 102.
§ Re Charge Card Services, FT Commercial Law Reports, June 18 1986.

COMMODITIES AND AGRICULTURE

Palm oil prices leap in London, Kuala Lumpur

BY WONG SULONG IN KUALA LUMPUR AND JOHN BUCKLEY IN LONDON

PALM oil prices, which have recently been recovering from the historic lows they hit last spring, have risen above 700 ringgit per tonne week for the first time this year.

Crude palm oil for delivery this month closed yesterday in Kuala Lumpur at 720 ringgit, on strong buying interest—particularly from India, which is traditionally the biggest buyer—and a surge of short-covering activity.

In Europe, palm reached a ten-month high yesterday morning of $330 per tonne, compared with a low of $180 in August.

This is considerably better news for plantation companies, many of which have been hard hit by the depression in the palm oil market, than has been seen for some time.

In Europe, traders have been watching the rocketing price with incredulity over the past fortnight. Widespread earlier claims that price manipulation at origin was the only culprit seem to have lost credence.

The turnaround has been fuelled by revised output figures from Malaysia, the largest producer. Production in the peak September-to-November season had been expected in some quarters to reach a new record of well over 500,000 tonnes per month, but this has now been scaled back to 470,000 tonnes per month following heavy rains and low usage of fertiliser.

Reports that this year's US soyabean crop is likely to be only marginally bigger than last year's have also helped to improve sentiment. Traders in Europe say that origin stocks of palm oil, which reached record levels early this year, were also thought to have fallen by about 200,000 tonnes.

They say the fuse was lit, however, by a persistent flurry of contract repurchasing by Philippine coconut oil shippers after a prolonged shortage of copra. As the coconut oil price leapt from $310 a tonne towards $400, palm oil refiners boosted their fob price, widely regarded as the international benchmark for the vegetable oil export trade.

Consumer reactions will be crucial over the next few weeks, according to Malaysian traders, who predict that continued Indian purchases could push palm oil to 800 ringgit.

However, bear factors which some traders say are being overlooked, include the fact that Malaysia's palm oil stocks—at about 750,000 tonnes—are still huge by historical standards, while its total output this year remains on course for a record of at least 4.5m tonnes compared with last year's 4.2m.

Nicaragua sues Standard Fruit for $35m over banana deal

BY PETER FORD IN MANAGUA

NICARAGUA has filed a $35.5m damages suit against the Standard Fruit Company of the US, Mr Jaime Wheelock, the country's Agricultural Reform Minister, has announced.

The suit, lodged at the San Francisco District Court, alleges that the fruit multinational unilaterally withdrew from its Nicaraguan operations in 1982, less than two years after signing a deal to buy all Nicaragua's banana output for five years.

Standard Fruit has argued that it was expropriated, and is currently claiming $3m in insurance from Overseas Private Investment Corporation (Opic), which had given the company coverage against such an eventuality.

The Nicaraguan suit is demanding $28.5m for bananas the company would have bought during the three remaining years of its contract with Managua, $1.1m for bananas allegedly shipped but not paid for, and an additional $5.9m in unspecified damages, Mr Wheelock said.

Nicaragua would present documents in which Standard Fruit explained at the time of its withdrawal that it was taking the step because its Nicaraguan operations were unprofitable, the Minister said.

Only later, he added, did the company claim it had been expropriated and ask for insurance payment from Opic.

The Sandinista Government has assembled a team of Nicaraguan lawyers to fight the case, and has retained the services of the US law firm Reichler Applebaum.

Co-defendants in the case will be Standard Fruit's parent companies, Castle and Cook and the Standard Fruit Steamship Company.

Brazil to cut beef exports

BY IVO DAWNAY IN SAO PAULO

BRAZILIAN BEEF exports are expected to fall by up to 30 per cent this year as a consequence of shortages on the domestic market, the Association of Brazilian Meat Exporters (ABIEC) has announced.

Last year, total sales of 520,000 tonnes earned the country some $550m, a substantial contribution to the $12bn trade surplus. The crisis in the beef supply for the home market, caused by a boom in consumer spending, restocking by farmers and other factors, last month provoked the Government to order a total ban on further export sales.

The move has been met with strong protests from exporters, who face the prospect of losing markets, and even, in some cases, substantial shares of the world contractual penalties.

Problems of supply within Brazil have forced the country to buy from abroad with orders for some 250,000 tonnes already issued to suppliers including the EEC, Argentina, and Uruguay. A continued shortfall in slaughtering earlier this month led the Government to take the drastic step of ordering federal police to carry out enforced confiscation of live cattle from farms around the country.

The improvement in the market appears to have been only shortlived, however. The authorities have now warned that, if voluntary slaughtering, based on the "gentlemen's agreement" reached recently, which allows price rises to suppliers, do not improve within days, further and more substantial round-ups will have to be ordered.

Part of the surge in Brazilian demand can be attributed to a marked rise in employment levels across the country, which has brought many more citizens up to the earnings level where beef can become a regular component in their diet. Though some recovery in the Brazilian national herd is expected next year, it remains unclear whether the country will be able to meet all its own needs in 1987.

Dearer animal food forecast

BY JOHN BUCKLEY

UK LIVESTOCK farmers face rising feed costs in spite of the second largest cereal crop in history, according to Dalgety Agriculture.

Mr Tony Petch, commercial director, contrasted the situation with that which existed in the late spring when signalled tighter intervention quality standards, a 5 per cent discount on feedgrain support prices and confusion over how co-responsibility might work, all pointed to cheaper prices. Consumers responded by delaying their May/June purchases until the expected bumper new crops came in.

But their optimism proved misplaced as drought-reduced French and Spanish crops forced up prices of wheat by £6 and barley £9 more than last year. To make matters worse the cost of imported feed inputs rose even faster with the decline in sterling. Maize gluten feed and soya, for example were up around £16 per tonne from this time last season.

But there had been some mitigating features, Mr Petch pointed out. The quality of the UK cereal crop was much better than last year's both physically and nutritionally. Protein levels had been disappointing but this was compensated by higher starch levels and the crop's greater net level of nutrient should offset some of the price increase.

Cost rises for pig and poultry feeds with higher grain content, would probably slow if an expected levelling off in cereal prices materialised. However, more price rises could be on the way for lower-cereal-ratio ruminant feeds unless the weak sterling trend reversed, Mr Petch warned.

Dalgety's Grain Division General Manager, Mr Don Patterson said the UK 1986 cereal crop was likely to reach 25.16m tonnes against 22.2m last year, including wheat at 14.56m (12.03m), barley at 10.14m (9.56m) and oats at 460,000 (610,000).

Early harvested wheat had promised a crop up to the higher French quality but later results from the West Country, Yorkshire and Scotland had shown a dramatic drop in protein and millability. Countering this, specific weights had been good almost everywhere and was much higher than normal. Millers would generally be pleased with wheat quality but Scottish consumers could have to import some French grain or increase gluten use.

Mr Patterson expected 2-2.5m tonnes of British grain would be exported to Spain, split equally between wheat and barley. He noted a poor Irish crop—almost as bad as last year's—also promised a good market for UK wheat, total exports of which to the EEC could reach 3.4m tonnes.

MPs renew call for tin crisis documents

A UK parliamentary select committee yesterday stepped up its pressure for information about the events leading up to the collapse of the tin market, writes our Commodities Staff.

The Commons trade and industry committee said it would demand a list of documents from the Bank of England to try to determine when the Bank first knew a crisis was brewing. The move came after the committee heard evidence from officials on the Bank's role in talks with the UK Government and the London Metal Exchange in the period before the suspension of tin trading in October 1985.

The committee also said it was demanding a memorandum from the Bank describing what advice it had given to the Government in negotiations setting up the sixth International Tin Agreement.

● THE COMMODITY Exchange of New York (Comex) has won the approval of the Commodity Futures Trading Commission for it to trade futures in Grade One copper, the principal grade produced and consumed around the world. Initially the exchange plans to offer an increased premium for Grade One copper within its existing contract and only if this attracts sufficient supplies into its depleted stocks will it introduce a separate contract for Grade One. Comex's copper stocks have fallen from 300,000 tonnes a year ago to just under 55,000 tonnes. Only about five per cent of the present stock is in Grade One metal.

● JAPAN imported 1,107 kgs of gold from China last month, its first purchases of the metal from the communist republic for at least 14 years, according to Finance Ministry, reports Reuter from Tokyo.

● THE US may impose countervailing duties on flower imports from Colombia, Canada, Costa Rica, Ecuador, Israel, the Netherlands and Peru if a second investigation confirms the Commerce Department's conclusion, announced this week, that exports from those countries are benefiting from government subsidies in violation of US trade law. The Department is scheduled to make its final determination by January 5.

● TEA PRICES at Monday's London auction averaged 147.79p a kg, the highest level recorded this year and up from a late July low of 114.66p. Brokers said some of the rise was only to be expected, however, as late September sees the beginning of offerings of new season quality North Indian teas. There had, nevertheless, been sharp gains in plainer teas, they added.

● ORMET CORPORATION has reached a tentative agreement with members of the United Steelworkers' Union at its aluminium smelter in Hannibal, Ohio. A company official said the concessionary deal would be voted on by the rank and file at the plant next Sunday. If it is approved the agreement will end a strike which has been running since June 30, affecting about 1,500 workers and forced the closure of three-and-a-half of Hannibal's six potlines.

● JAMAICA bauxite production in the first nine months of this year reached 4.92m tonnes, 4 per cent higher than output in the corresponding period of last year, the Jamaica Bauxite Institute reported, writes Canute James in Kingston.

The institute said production of alumina in the nine-month period of this year was 1.13m tonnes, 8 per cent below output in the first nine months of 1985.

Exports of crude ore between January and September of this year totalled 2.05m tonnes, 15 per cent more than shipments in the corresponding period of 1985.

Jamaica's total bauxite output in 1985 was 6.15m tonnes, 30 per cent less than 1984 output, the Institute reported earlier this year.

Nymex hopes to launch gas futures next year

BY ANDREW GOWERS

THE NEW YORK Mercantile Exchange (Nymex) hopes to put the finishing touches in the next few weeks to what would be the world's first futures contract in natural gas.

The contract, planned to supplement the exchange's fast growing crude and heating oil futures, has been drawn up to capitalise on the process of deregulation currently underway in the US gas industry.

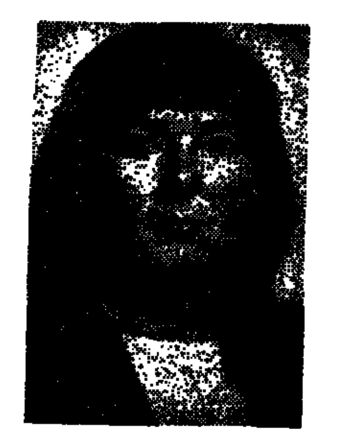
Ms Rosemary McFadden, the Nymex president, said in London yesterday that this was creating greater price volatility and uncertainty in gas, as it had in oil "Between 25 and 30 per cent of gas changing hands in the US is being traded on a spot basis rather than under long-term contracts," she estimated.

The idea for a gas futures contract was first submitted to the Commodity Futures Trading Commission, the official market regulator, about two years ago. But progress has been delayed by difficulties in working out an appropriate delivery system for the contract, and the CFTC has been waiting for details of how this will operate.

Ms McFadden indicated yesterday that these may be close to resolution. The exchange will be seeking approval for its chosen delivery point, the Katy field outside Houston, at a meeting with major pipeline owners in two weeks' time. Details would then have to be submitted to another official watchdog, the Federal Energy Regulatory Commission.

Assuming all these hurdles can be cleared, Nymex thinks it can launch the futures contract in the third or fourth quarter of next year. The contract would trade in units of 10bn BTUs.

It is likely to be of importance only to the US industry to start with: there is very little spot trading in gas elsewhere, and an international market can only develop as fast as a network of gas-carrying pipelines. In Europe, for example, gas trade is subject to numerous constraints—not least that of heavy Government interference. But Ms McFadden hopes that the contract might at least become something of an international reference-point for prices.



Ms Rosemary McFadden, the Nyrex president

The exchange is also considering the possibility of propane futures, and officials have talked in the past about the even more bizarre-sounding possibility of electricity futures.

More immediately, though, Nymex is preparing for the launch of a number of options contracts on its existing futures. November 14 will see the launch of an option on crude oil futures, followed by options on heating oil futures about six months later, in time for the 1987 peak trading season. The exchange authorities have also decided in principle to launch options on platinum futures, which have by coincidence also been trading very actively this year.

So far this year, the exchange's total daily trading volume has averaged 57,000 lots and on occasion it has traded more than 100,000 lots. This compares with a daily average of only between 15,000 and 16,000 lots in 1985.

On the basis of a recent survey of users of its energy contracts, Nymex is also claiming to have become more established as part of the international oil industry in the last 12 months. It says five out of the six major international oil companies count among top participants (the exception is believed to be Exxon, the biggest of all), and that there is increasing involvement in the market by investment houses.

LONDON MARKETS

THE UPWARD trend in coffee futures prices was halted yesterday afternoon after the Brazilian Coffee Institute (IBC) announced that it was not making further purchases of coffee on the world market at present to supplement this year's drought-hit crop. The announcement made an immediate impact on the market and the January futures position, which had climbed to £2,279 a tonne, closed only £18.50 up on balance at £2,217.50 a tonne. Mr Paulo Graciano, the IBC president, said the institute was assessing the situation and could make further purchases if necessary. "But for the time being we are not doing anything," he added. He said Brazil had purchased about 600,000 bags (60 kgs each) of coffee on the London market, which will go to IBC stocks in Brazil. Dealers said this confirmation that the coffee will be shipped to Brazil should give roasters more confidence to make purchases, as previously some had been worried that Brazil might dump its purchases back onto the market.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 22	Oct. 21	M'th ago	Year ago
1574.8	1569.4	1545.5	1701.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 21	Oct 20	M'th ago	Year ago
Spot	123.28	122.27	—	116.65
Fut	121.67	121.39	—	118.95

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 22 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1280/500		$1555/585
Copper			
Cash Grade A	£926.5	−1	£928.5
3 mths	£951.25	−0.5	£951.25
Gold Troy oz	$423.75	−1.5	$434
Lead Cash	£309.5	+3	£277.75
3 mths	£307.25	+1.75	£281.5
Nickel			
Free Mkt	164/184c	+4	169/189c
Palladium oz	$137.00	−0.25	$144.00
Platinum oz	$596.00	−4	$605.5
Quicksilver†	$150/170		$129/130
Silver troy oz	405.60p	+2.20	409.85p
3 mths	416.70p	+2.55	419.80p
Tin			
free mkt	£4848/886	+35	£3769/99
Tungsten	$51.25		$51.25
Wolfram 22.0lb	$34/44		$32/42
Zinc	£615.5	+3	£600.75
3 mths	£610.5	+2	£605.5
producers	$920		$920
OILS			
Coconut (Phil)	$390y	−5	$257.25
Palm Malayan	$310v		$232.5
Copra (Phil)	$250	+20	$170
Soyabean (U.S.)	$155y		$159
GRAINS			
Barley Fut. Jan.	£111.15	−0.15	£110.50
Maize	£144.50	−0.5	£154.00
Wheat Fut. Jan.	£110.05	−0.50	£111.00
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1531	+0.5	£1514.5
Coffee Ft. Jan.	£2217.5	+18.5	£2528.5
Cotton A Ind.*	52.00c	−0.15	48.35c
Gas Oil Dec.	$126.5	−4.25	$125.75
Rubber (kilo)	67.00p		65p
Sugar (raw)	$143.5y	−0.25	$124
Wooltops 64s	407p kilo		385p kilo

‡ Unquoted. † Per 76 lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	821-3	+3.75	818
3 months	831-2	+4.75	833/828

Official closing (am): Cash 817.5-8 (817-8), three months 829.5-30 (828-8.5), settlement 818 (818). Final Kerb close: 828.5-9. Turnover: 14,625 tonnes.

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

TIN

Kuala Lumpur Tin Market: Close 14.74 (14.80) ringgit per kg. Down 0.06 ringgit per kg.

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

SOYABEAN MEAL

[illegible]

COFFEE

[illegible]

COCOA

[illegible]

POTATOES

[illegible]

GRAINS

[illegible]

MEAT

[illegible]

SUGAR

[illegible]

FREIGHT FUTURES

[illegible]

RUBBER

[illegible]

OIL

[illegible]

GAS OIL FUTURES

[illegible]

HEAVY FUEL OIL

[illegible]

LEADED GASOLINE

[illegible]

US MARKETS

THE VOLATILITY of the coffee market remained untempered in an erratic session, with firm initial gains of over 2c in the leading December position following a strong London showing in the morning being accelerated by stops to push the market just short of the 180c per pound level, reports Heinold. However, reports that the IBC president had declared that Brazil would not be active as a buyer in the immediate future put paid to speculation from certain quarters and encouraged some quick exits in a market which had tended to be thin in the first instance. Values settled just marginally below previous closing levels at 172.58c, having escaped a determined test of 170c, to leave onlookers as perplexed as ever as to immediate movement forecasts. Sugar found very good support for most of the session, reaching a high of 7.10c per pound at one point in the March position, before massive selling interest towards the close after the market dipped below 7c caused many large stops to be activated. Values settled 4 points from the low at 6.74c, a net loss of 13 points on the day, although analysts were still generally friendly towards the technical — if not fundamental — prospects for a sustained recovery.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	51.90	51.90	51.90	51.95
Nov	52.05	52.05	52.05	52.10
Dec	52.25	52.40	52.20	52.10
Jan	52.30	52.30	52.30	52.15
March	52.55	52.55	52.55	52.40
May	52.80	52.80	52.80	52.65
July	53.05	53.05	53.05	52.90
Sept	53.25	53.25	53.25	53.10
Dec	53.35	53.35	53.35	53.20
Jan	53.55	53.55	53.55	53.40

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1959	1964	1937	1951
March	1989	1995	1967	1983
[illegible]				

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	172.58	179.25	170.50	172.86
March	170.17	175.50	168.25	171.83
May	171.38	176.00	169.50	172.00
July	172.00	175.80	169.50	173.00
Sept	171.25	175.00	174.50	172.50
Dec	171.00	175.00	175.00	172.25
March	170.50	173.00	172.50	170.25

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	115.80	116.50	114.80	1[illegible].40
Jan	117.30	118.50	116.15	117.00
March	117.70	118.70	117.10	117.90
May	118.00	118.90	118.00	118.50
July	118.25	118.50	118.30	118.85
Sept	118.95	—	—	119.80
Nov	119.35	—	—	120.70
Jan	119.45	—	—	121.00
March	119.45	—	—	121.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	587.0	597.0	590.0	592.3
Dec	592.0	—	—	597.1
Jan	592.0	604.0	590.0	597.1
April	596.3	607.5	595.0	601.4
July	601.1	612.0	601.0	606.2
Oct	605.6	617.0	617.0	610.7
Jan	610.1	610.0	610.0	615.2

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	41.40	42.50	41.28	42.60
Dec	42.85	43.90	42.56	44.10
Jan	44.00	45.10	43.70	45.15
Feb	44.70	45.80	44.40	45.82
March	43.50	44.25	43.50	44.57
April	42.50	42.45	42.45	43.41
May	41.40	41.90	41.70	42.50

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.40	6.69	6.40	6.33
March	6.74	7.10	6.70	6.87
May	6.93	7.25	6.90	7.07
July	7.08	7.40	7.07	7.27
Sept	7.19	—	—	7.38
Oct	7.30	7.60	7.25	7.52
Jan	7.63	—	—	7.65
March	7.93	—	—	8.25

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	57.57	57.62	57.10	57.25
Feb	55.90	56.05	55.45	55.57
April	56.72	56.85	56.45	56.52
June	56.37	56.52	56.25	56.27
August	55.25	55.45	55.20	55.35
Oct	54.20	54.40	54.20	54.20

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	51.95	52.20	51.25	52.10
Feb	49.22	49.50	48.60	49.20
April	44.85	45.00	43.87	44.65
June	47.12	47.17	46.45	46.95
July	46.72	46.85	46.40	46.75
August	45.70	45.70	45.10	45.25
Dec	43.25	43.35	42.57	43.20
Feb	43.15	43.35	43.15	43.17

PORK BELLIES 38,000 lb, cents/lb

[illegible]

COPPER 25,000 lb, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard [illegible]

CRUDE OIL—FOB (§ per barrel)—Nov.

[illegible]

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

[illegible]

Petroleum Argus estimates.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar little changed on GNP

THE DOLLAR finished little changed on the day, after publication of third quarter US gross national products growth of 2.4 per cent. This was in line with most expectations. The implicit price deflator—a guide to future US inflation—showed a sharp rise of 3.6 per cent however and underlined recent suggestions that there will be no further cut in interest rates in the near future. Any tendency to lift the dollar was offset by a comment from Mr Nicholas Maldrige, US Commerce Secretary, who said that if the trade deficit continues at the present level it is inevitable the dollar will go down.

Dealers will look for further guidance from today's US figures on personal income; consumer prices; and durable goods orders.

The dollar eased to DM 1.9845 from DM 1.9880 and to FFr 6.50 from FFr 6.51, but rose to SFr 1.63 from SFr 1.6295 and to Y155.80 from Y155.15.

On Bank of England figures the dollar's index fell to 109.3 from 109.5.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3706. September average 1.4711. Exchange rate index fell 0.2 to 67.6, compared with 75.4 six months ago.

Sterling did not react favourably to firmer North Sea oil prices, as a result of agreement reached in Geneva by ministers from the Organisation of Petroleum Exporting Countries to continue curbs on production. The view in the market was that although Opec had said it intends to lift oil prices to $17 to $19 a barrel by the year-end it had not indicated how this would be achieved. The present ceiling on production of 14.8m barrels a day is to be raised to 14.961 next month and to 15.039 in December. A decline in the value of th pound also indicated nervousness ahead of today's UK trade figures for September, following the record deficit in August. Sterling fell ½ cent to $1.4310-1.4320, and also retreated to DM 2.84 from DM 2.8550; and to FFr 9.2650 from FFr 9.3525. On the other had the pound was slightly firmer at SFr 2.35 against SFr 2.34 and Y223 compared with Y222.75.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 143.6 against 132.0 six months ago.

The D-Mark was little changed against the dollar in Frankfurt, but improved from the fixing level after publication of US third quarter GNP growth. The Bundesbank did not intervene at the fixing when the dollar fell to DM 1.9817 from DM 1.9835. Apart from the GNP figure the market was also nervous as Mr Helmut Kohl, West German Chancellor, held talks with Mr James Baker, US Treasury Secretary. Sterling fell back, in spite of the Opec quota agreement, on news that production by the cartel is to rise by an average 200,000 barrels a day. At the Frankfurt fixing the pound fell to DM 2.8450 from DM 2.8590.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.55. September average 154.67. Exchange rate index 212.5 against 208.6 six months ago.

The yen lost ground to the dollar in Tokyo yesterday. The US currency rose to Y156.30 from Y154.70, but trading was subdued ahead of this week's US economic data. Dealers were reluctant to take out positions before publication of second quarter US GNP growth. A figure of around 2.5 per cent was well discounted in the market, but recent rumours of only 1 per cent growth, or as high as 4 per cent, left the market very nervous. The dollar touched a low of Y155 on selling by exporters, but buying by Trust banks for pension fund accounts and by investment trusts lent support.

£ IN NEW YORK

Oct. 22	Latest	Previous Close
£ Spot	1.4315-1.4320	1.4330-1.4340
1 month	0.66-0.64 pm	0.64-0.62 pm
3 months	1.94-1.90 pm	1.85-1.83 pm
12 months	6.73-6.63 pm	6.32-6.22 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 22	Previous
8.30 am	67.8	67.7
9.00 am	67.8	67.7
10.00 am	67.8	67.8
11.00 am	67.7	67.8
Noon	67.7	67.8
1.00 pm	67.7	67.8
2.00 pm	67.7	67.9
3.00 pm	67.7	67.8
4.00 pm	67.6	67.8

CURRENCY RATES

Oct. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.751521
U.S. Dollar	5.5	1.21813	1.04762
Canadian $	8.58	*	1.45734
Austrian Sch.	4	N/A	14.6404
Belgian Franc	8	*	43.2299
Danish Kroner	7	*	7.83775
Deutsche Mark	3½	*	2.08295
Neth. Guilder	4½	*	2.35274
French Franc	9½	*	6.81999
Italian Lira	12	*	1440.47
Japanese Yen	3½	*	162.747
Norway Krone	8	*	7.66175
Spanish Peseta	—	*	139.071
Swedish Krona	7½	*	7.17513
Swiss Franc	4	*	1.70919
Greek Drach	20½	*	140.820
Irish Punt	—	*	0.763291

* CS/SDR rate for Oct. 22: 1.69161

CURRENCY MOVEMENTS

October 22	Bank of England Index	Morgan Guaranty Changes %
Sterling	67.6	-25.8
U.S. Dollar	109.3	+1.7
Canadian Dollar	76.6	-13.2
Austrian Schilling	133.7	+9.1
Belgian Franc	97.6	-2.5
Danish Krone	90.4	+2.5
Deutsche Mark	142.6	+19.7
Swiss Franc	168.8	+22.3
Guilder	131.0	+13.1
French Franc	70.9	-12.5
Lira	48.2	-16.4
Yen	233.5	+58.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 22	£	$
Argentina	1.6460-1.5720	1.0950-1.0965
Australia	2.2440-2.2475	1.5670-1.5685
Brazil	20.08-20.20	14.02-14.09
Finland	6.9560-6.9705	4.8575-4.8595
Greece	191.60-194.98	133.33-133.52
Hong Kong	11.1490-11.1800	7.7975-7.7995
Iran	108.60*	75.80*
Kuwait	0.4190-0.4200	0.29280-0.29300
Luxembourg	59.00-59.10	41.20-41.30
Malaysia	3.7430-3.7495	2.6270-2.6290
N. Zealand	2.8350-2.8430	1.9780-1.9840
Saudi Ar.	5.3695-5.3740	3.7495-3.7500
Singapore	3.1185-3.1225	2.1770-2.1790
S. Af. (Cm)	3.2095-3.2330	2.2460-2.2510
S. Af. (Fn)	6.0070-7.2570	4.8190-5.0630
U.A.E.	5.2590-5.2640	3.6725-3.6735

* Selling rate.
Correction for Oct. 21, Australia, £, 2.2500-2.2550

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2299	+0.27	+1.01	±1.5368
Danish Krone	7.85701	7.87773	+0.27	+1.01	±1.6403
German D-Mark	2.11083	2.08295	-1.35	-0.61	±1.1127
French Franc	6.87316	6.81999	-0.77	-0.03	±1.3659
Dutch Guilder	2.37833	2.35274	-1.08	-0.34	±1.5069
Irish Punt	0.764976	0.763291	-0.22	+0.52	±1.6683
Italian Lira	1476.95	1440.47	-2.47	-2.03	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4295-1.4360	1.4310-1.4320	0.64-0.61c pm	5.24	1.88-1.83 pm	5.18
Canada	1.9890-1.9995	1.9905-1.9915	0.51-0.43c pm	2.80	1.39-1.25 pm	2.65
Netherlands	3.20-3.22⅞	3.20½-3.21½	1¾-1⅝c pm	6.07	4⅝-4½ pm	5.76
Belgium	58.91-59.30	59.00-59.10	23-18c pm	4.17	61-54 pm	3.90
Denmark	10.68½-10.75	10.69¾-10.70¾	1½-½ore pm	1.26	4-3⅝ pm	1.36
Ireland	1.0595-1.0685	1.0625-1.0635	0.20-0.55p dis	-4.31	0.60-1.35 dis	-3.74
W. Germany	2.83½-2.85⅝	2.83½-2.84½	1¾-1⅝pf pm	6.87	4⅝-4½ pm	6.69
Portugal	208.95-210.40	208.95-210.40	50-111c dis	-4.62	191-342 dis	-5.10
Spain	189.95-190.40	189.95-190.25	4-41c dis	-1.42	15-71 dis	-0.90
Italy	1960-1973	1965-1966	2pm-1 lire dis	-0.15	3pm-2 dis	-0.20
Norway	10.44½-10.50	10.44½-10.45½	3-3¾ore dis	-3.80	8½-8¾ dis	-3.25
France	9.26¾-9.35¾	9.26¾-9.27¾	2¼-2c pm	2.98	6½-5¼ pm	2.66
Sweden	9.78½-9.83¼	9.78½-9.79½	2⅞-2 ore pm	2.76	7½-6⅜ pm	2.78
Japan	222½-225½	222½-223½	1⅛-1⅛y pm	6.73	3⅝-3½ pm	6.28
Austria	19.97-20.10	19.97-20.00	10-9gro pm	5.94	27¼-25 pm	5.50
Switzerland	2.33-2.35⅞	2.34¼-2.35¼	1¾-1⅝c pm	7.66	4⅝-4½ pm	7.23

Belgian rate is for convertible francs. Financial franc 59.35-59.45. Six-month forward dollar 3.54-3.49c pm. 12 month 6.33-6.23c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4295-1.4360	1.4310-1.4320	0.64-0.61c pm	5.24	1.88-1.83 pm	5.18
Ireland†	1.3710-1.3791	1.3740-1.3750	1.15-0.70c pm	8.07	3.25-2.50 pm	8.36
Canada	1.3895-1.3922	1.3910-1.3920	0.27-0.30c dis	-2.46	0.87-0.91 dis	-2.95
Netherlands	2.2335-2.2470	2.2425-2.2435	0.13-0.11c pm	0.64	0.37-0.34 pm	0.63
Belgium	41.05-41.35	41.25-41.35	3-5 c dis	-1.17	12-15 dis	-1.32
Denmark	7.45-7.49¾	7.47-7.47½	1.50-2.00ore dis	-2.81	5.40-5.90 dis	-3.03
W. Germany	1.9775-1.9890	1.9840-1.9850	0.28-0.25pf pm	1.60	0.77-0.72 pm	1.50
Portugal	145½-146¾	145½-146	100-140c dis	-9.85	325-425 dis	-10.25
Spain	132.17-132.95	132.70-132.80	65-75c dis	-6.34	180-200 dis	-5.74
Italy	1370-1376½	1372¾-1373¾	5-6 lire dis	-4.82	16½-18 dis	-5.03
Norway	7.29-7.32	7.29¼-7.29¾	5.10-5.50ore dis	-8.72	15.80-16.20 dis	-8.77
France	6.48-6.51¼	6.49¼-6.50¼	1.25-1.45c dis	-2.50	4.40-4.70 dis	-2.80
Sweden	6.82-6.85	6.83¾-6.84¼	1.30-1.45ore dis	-2.41	4.00-4.30 dis	-2.42
Japan	155.00-155.95	155.75-155.85	0.21-0.16y pm	1.43	0.46-0.41 pm	1.12
Austria	13.92½-13.98½	13.96½-13.96¾	¾-¼ gro pm	0.48	2½pm-1½dis	0.27
Switzerland	1.6340-1.6330	1.6290-1.6305	0.37-0.32c pm	2.55	0.87-0.82 pm	2.08

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.45-41.55.

EURO-CURRENCY INTEREST RATES

Oct. 22	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7⅛-7⅜ per cent; four years 7⅝-7⅞ per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 22	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.432	2.840	223.0	9.305	2.350	3.210	1966	1.991	59.05
$	0.699	1	1.985	155.8	6.500	1.642	2.243	1373	1.391	41.25
DM	0.352	0.504	1	78.52	3.276	0.827	1.130	492.1	0.701	20.79
YEN	4.484	6.419	12.74	1000	41.73	10.54	14.39	8814	8.928	264.8
F Fr.	1.075	1.538	3.052	239.7	10	2.526	3.450	2112	2.140	63.46
S Fr.	0.426	0.609	1.209	94.89	3.960	1	1.366	836.4	0.847	25.13
H Fl.	0.312	0.446	0.885	69.47	2.899	0.732	1	612.3	0.620	18.40
Lira	0.509	0.728	1.445	113.5	4.734	1.196	1.633	1000	1.013	30.04
C $	0.502	0.719	1.426	112.0	4.674	1.180	1.612	987.2	1	29.66
B Fr.	1.693	2.424	4.809	377.6	15.76	3.980	5.436	3329	3.372	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belg Fr per 100.

FINANCIAL FUTURES

US bonds shrug off GNP fears

US TREASURY bond futures finished above Tuesday's closing levels on the London International Financial Futures Exchange yesterday, and recovered from a sharp fall, as traders found part of the data on third quarter US gross national product growth rather worrying, but then shrugged off these fears.

After several days of rumour the GNP growth figure of 2.4 per cent was right in line with the general level of market forecasts, while the figure for the second quarter remained at 0.6 per cent. Although third quarter growth was much as expected, and followed rumours which put the figure anywhere up to 4 per cent, it was noted that the annual growth rate for the first three quarters was only 2.2 per cent, and the figure for the fourth quarter would have to be 6.1 per cent for the US Administration to achieve its forecast of 3.2 per cent for 1986.

The implicit price deflator was particularly depressing for US Treasury bond futures. A rise of 3.6 per cent in the third quarter was double the second quarter rise, reflecting a rise in petroleum exports, and creating fears about future inflationary pressure on the economy. December bonds were trading around 94-19 at the time of the figure, but immediately fell to 93-30. Further selling took the contract down to a low of 93-23, before buying returned, taking the price up to a peak of 94-28. It closed at 94-24 compared with 94-01 on Tuesday, and 94-17 at the opening.

Three-month Eurodollar futures showed a similar reaction, opening at 93.94 and falling to a low of 93.80 on news of the sharp rise in the price deflator, before recovering to close near the day's high at 93.94, compared with 93.92 previously, as traders took a less pessimistic view of the GNP news.

December long term gilts opened firm at 110-22, helped by a steady performance by the pound in early trading, and an easing of cash rates on the London money market. The contract rose to a high of 111-00, but then fell to a low of 110-10, in sympathy with the sudden weakening of US Treasury bond futures and the decline of sterling in the afternoon. It closed at 110-13 compared with 110-11 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	[illegible]	[illegible]	[illegible]	[illegible]
108	[illegible]	[illegible]	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]
112	[illegible]	[illegible]	[illegible]	[illegible]
114	[illegible]	[illegible]	[illegible]	[illegible]
116	[illegible]	[illegible]	[illegible]	[illegible]
118	[illegible]	[illegible]	[illegible]	[illegible]
120	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 951, Puts 288
Previous day's open int. Calls 22,051, Puts 5,890

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	[illegible]	[illegible]	[illegible]	[illegible]
90	[illegible]	[illegible]	[illegible]	[illegible]
92	[illegible]	[illegible]	[illegible]	[illegible]
94	[illegible]	[illegible]	[illegible]	[illegible]
96	[illegible]	[illegible]	[illegible]	[illegible]
98	[illegible]	[illegible]	[illegible]	[illegible]
100	[illegible]	[illegible]	[illegible]	[illegible]
102	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 113, Puts 12
Previous day's open int. Calls 690, Puts 1036

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
1525	[illegible]	[illegible]	[illegible]	[illegible]
1550	[illegible]	[illegible]	[illegible]	[illegible]
1575	[illegible]	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]	[illegible]
1625	[illegible]	[illegible]	[illegible]	[illegible]
1650	[illegible]	[illegible]	[illegible]	[illegible]
1675	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0, Puts 6
Previous day's open int. Calls 261, Puts 258

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last	Puts—Last
1.30	[illegible]	[illegible]
1.35	[illegible]	[illegible]
1.40	[illegible]	[illegible]
1.45	[illegible]	[illegible]
1.50	[illegible]	[illegible]
1.55	[illegible]	[illegible]
1.60	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 18
Previous day's open int. Calls 1,954 Puts 2,989

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last	Puts—Last
1.35	[illegible]	[illegible]
1.40	[illegible]	[illegible]
1.45	[illegible]	[illegible]
1.50	[illegible]	[illegible]
1.55	[illegible]	[illegible]
1.60	[illegible]	[illegible]
1.65	[illegible]	[illegible]

Previous day's open int: Calls 2,276, Puts 962
Volume: 0

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Calls—Last Jan.	Calls—Last Mar.	Puts—Last Nov.	Puts—Last Dec.	Puts—Last Jan.	Puts—Last Mar.
1.30	2.80	12.80	2.80	12.80	—	0.05	0.15	0.60
1.35	8.00	8.00	8.00	8.15	—	0.25	0.75	1.75
1.40	3.30	3.50	4.00	4.50	0.25	1.15	2.05	3.60
1.45	0.50	1.10	1.65	2.20	2.40	3.70	4.80	6.30
1.50	0.05	0.20	0.55	1.00	6.90	7.60	8.60	9.90
1.55	—	0.05	—	0.40	11.80	12.30	—	14.20
1.60	—	—	—	0.15	16.80	17.20.	—	18.80

Previous day's open int: Calls 41,147 Puts 86,242
Previous day's volume, Calls 266 Puts 159

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Calls—Last June	Calls—Last Sept.	Puts—Last Dec.	Puts—Last Mar.	Puts—Last June	Puts—Last Sept.
93.00	0.94	0.94	0.86	—	0.00	0.06	0.17	—
93.25	0.70	0.73	0.67	—	0.01	0.10	0.23	—
93.50	0.47	0.54	0.51	—	0.03	0.16	0.32	—
93.75	0.27	0.38	0.37	—	0.08	0.25	0.43	—
94.00	0.13	0.25	0.26	—	0.19	0.37	0.57	—
94.25	0.05	0.15	0.17	—	0.36	0.52	0.73	—
94.50	0.01	0.08	0.10	—	0.57	0.70	0.91	—

Previous day's open int: Calls 1,313 Puts 1,575
Estimated volume, Calls 100 Puts 54

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	110-13	111-00	110-10	110-14
March	110-16	111-01	110-18	110-14
June	110-16	—	—	110-14

Est volume 12,681 (11,246)
Previous day's open int. 16,211 (16,080).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
Dec	96-38	96-40	96-30	96-16
March	96-38	—	—	96-16

Est Volume 531 (84)
Previous day's open int. 1,169 (1,169)

THREE-MONTHS STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	88.69	88.83	88.66	88.75
March	89.11	89.23	89.10	89.18
June	89.47	89.55	89.47	89.52
Sept.	89.45	89.51	89.45	89.50
Dec.	89.19	—	—	89.21
March	88.95	—	—	89.01

Est Volume 3,468 (6,000)
Previous day's open int. 13,432 (13,699)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	160.25	162.20	160.25	160.10
March	163.25	—	—	164.10

Estimated volume 140 (287)
Previous day's open int. 2,766 (2,756)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec.	93.94	93.95	93.80	93.92
March	93.88	93.87	93.80	93.84
June	93.69	93.69	93.64	93.65
Sept.	93.39	93.39	93.35	93.35
Dec.	93.01	93.01	92.99	92.96
March	92.61	—	—	92.56

Estimated volume 6,638 (3,668)
Previous day's open int. 26,110 (25,784)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	94-24	94-28	93-23	94-01
March	93-27	93-20	93-17	93-04
June	92-27	—	—	92-04

Estimated Volume 7,987 (4,402)
Previous day's open int. 6,486 (5,906)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	94-18	94-24	93-28	94-22
March	93-21	93-26	92-29	93-24
June	92-21	92-25	92-02	92-24
Sept.	91-24	91-27	91-09	91-26
Dec.	—	—	—	90-30
March	—	—	—	90-05
June	—	—	—	89-14
Sept	—	—	—	88-26
Dec.	—	—	—	88-08
March	—	—	—	87-24
June	—	—	—	87-10

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.71	94.71	94.66	94.71
March	94.70	94.72	94.66	94.70
June	94.55	94.56	94.50	94.55
Sept.	94.30	94.30	94.28	94.29
Dec.	—	—	—	93.95
March	—	—	—	93.59
June	—	—	—	93.24
Sept.	—	—	—	—

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	—	—	—	93.73
Dec.	—	—	—	94.32

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	93.92	93.93	93.86	93.92
Mar.	93.84	93.86	93.79	93.85
June	93.65	93.67	93.61	93.65
Sept.	93.35	93.37	93.31	93.35
Dec.	92.98	93.00	92.93	92.97
Mar.	92.58	92.59	92.53	92.57
June	92.19	92.21	92.15	92.18
Sept.	91.81	91.81	91.78	91.80

STANDARD & POORS 500 INDEX (IMM)
$500 times index

	Latest	High	Low	Prev.
Dec.	235.75	236.25	235.20	236.25
March	236.65	237.20	236.30	236.20
June	237.70	238.00	237.70	237.20
Sept.	238.70	239.00	238.70	238.20

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4315	1.4253	1.4130	1.3964	1.3687

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec.	1.4225	1.4250	1.4205	1.4205
Mar.	1.4045	1.4080	1.4035	1.4035
June	1.3880	1.3900	1.3880	1.3865
Sept.	—	—	—	1.3715

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4220	1.4215	1.4215	1.4245
Mar.	1.4050	—	—	1.4080
June	1.3895	—	—	1.3925

Estimated volume 3 (13)
Previous day's open int 941 (941)

MONEY MARKETS

UK rates steady as pound eases

INTEREST RATES showed little change on the London money market yesterday. In spite of the production quota settlement reached by Opec ministers meeting in Geneva, sentiment tended to weaken towards the end of the day, as sterling failed to gain any benefit from the agreement. After easing to 11¼-11⅛ per cent in early trading, three-month interbank closed unchanged at 11⅝-11½ per cent. Trading was quiet, with dealers suggesting the market is preparing itself for Big Bang in the City next Monday, while conditions were also nervous ahead of today's UK trade figures.

The Bank of England initially forecast a market shortage of £600m, but revised this to £500m at noon and to £450m in the afternoon.

UK clearing bank base lending rate 11 per cent since October 15

Total help provided by the authorities was £439m.

An early round of assistance was offered, and at that time the Bank of England bought £104m bills outright, by way of £8m bank bills in band 1 at 10⅞ per cent; £52m bank bills in band 2 at 10½ per cent; £28m bank bills in band 3 at 10¾ per cent; and £54m bank bills in band 4 at 10½ per cent.

Before lunch another £80m bills were purchased, through £4m bank bills in band 2 at 10½ per cent; and £76m bank bills in band 4 at 10½ per cent.

In the afternoon the authorities bought £179m bills by way of £123m bank bills in band 1 at 10⅞ per cent; £42m bank bills in band 2 at 10½ per cent; and £4m bank bills in band 4 at 10½ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £232m, with Exchequer transactions absorbing £320m; and a rise in the note circulation £100m. These outweighed bank balances above target of £70m.

In Frankfurt call money rose to 4.425 per cent from 4.30 per cent, as credit conditions tightened on the draining of liquidity from the expiry of a DM 4.8bn securities repurchase agreement. The Bundesbank council meets in Berlin today, and will hold a press conference immediately after, but dealers do not expect any change in the central bank's credit policies.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	6¾
Fed. funds	5⁹⁄₁₆
Fed. funds at intervention	5⁹⁄₁₆

Treasury Bills and Bonds

One month	5.12	Three year	6.65
Two month	5.25	Four year	6.88
Three month	5.46	Five year	6.95
Six month	5.63	Seven year	7.33
One year	5.82	10 year	7.53
Two year	6.39	30 year	7.82

Oct. 22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.35-4.50	4.50-4.60	4.50-4.60	4.50-4.65	4.50-4.65	5.5
Paris	7½	7½-7⅝	7½-7⅝	7⅝-7¹¹⁄₁₆	7⅝-7¾	7
Zurich	⅞-1⅛	3⅜-3½	—	4-4⅛	—	—
Amsterdam	5⅜-5½	5⅜-5½	—	5⅜-5½	—	—
Tokyo	4.28125	4.65375	—	4.84375	—	—
Milan	10¾-11⅛	10¾-11¼	—	11-11½	—	—
Brussels	6.70	7⅛-7⅜	—	7⅛-7½	—	—
Dublin	11⅞-12⅛	13⅛-13⅜	13⅝-13⅞	13⅝-13⅞	13½-13¾	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 22) 3 months U.S. dollars		6 months U.S. dollars	
bid 5 ¹⁵⁄₁₆	Offer 6 ¹⁄₁₆	bid 5 ¹⁵⁄₁₆	Offer 6 ¹⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 22	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11⅛-9½	11-10¾	11⅜-11¼	11⁹⁄₁₆-11⅜	11⁹⁄₁₆-11⅜	11¾-11⅝
Sterling CDs	—	—	11⅛-11	11⅜-11¼	11⅜-11¼	11⁹⁄₁₆-10¹³⁄₁₆
Local Authority Deposits	11-10¾	10⅞-10¾	11¼-11⅛	11⅜-11¼	11¼-11⅛	11⅝-11⅛
Local Authority Bonds	—	—	11½	11⅜	11½	11⅞
Discount Market Deposits	10⅞-9	10½	10¾	10¾	—	—
Company Deposits	10½-9½	10¾-10½	11¼	11¼	11¼	11⅜
Finance House Deposits	—	—	11¼	11¼	11¼	11¼
Treasury Bills (Buy)	—	—	10⅞	10⅞	—	—
Bank Bills (Buy)	—	—	10¹¹⁄₁₆	10¹³⁄₁₆	10¹³⁄₁₆	—
Fine Trade Bills (Buy)	—	—	11⅜	11⁹⁄₁₆	11⅜	—
Dollar CDs	—	—	6.00-5.95	6.00-5.95	6.00-5.95	6.15-6.10
SDR Linked Deposits	—	—	6¼-6⅛	6½-6¼	6½-6¼	6⅝-6⅜
ECU Linked Deposits	—	—	7⅜-7¼	7⅝-7½	7⅝-7½	7⅝-7⅜

Treasury Bills (sell); one-month 10¾ per cent; three-months 10½ per cent; Bank Bills (sell): one-month 10¹¹⁄₁₆ per cent; three months 10¹¹⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 10.6928 p.c. ECGD Fixed Finance Scheme IV reference date September 3 to October 7 (inclusive): 10.355 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from October 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent; Under £100,000 11 per cent from October 16. Deposits held under Series 5 11 per cent, Deposits withdrawn for cash 5½ per cent.

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Haw Par

Tiger Balm: set to create a healthier climate

Stephanie Yanchinski on a global campaign

HAW PAR Brothers International is a Singapore-based company with a mission—to become a household name around the world.

But rather than merely throwing money at its marketing efforts, the company is mounting a peculiarly Asian "guerrilla" campaign, based on cunning strategy and endless patience. Its success will depend on one of the oldest pharmaceuticals in the world—a Chinese herbal ointment invented hundreds of years ago.

Long a household word throughout Asia, Haw Par today controls a manufacturing, trading and banking empire whose turnover last year touched S$266.7m ($123m). Like many Asian companies, Haw Par operates mainly as an international raw materials supplier, and a distributor of foreign-made goods.

Now, however, the company's market strategists want to move it out of the shadows into the limelight with its own brand name products.

The sprawling conglomerate that is Haw Par today began in the dispensary of a Chinese herbalist in Rangoon, who concocted a soothing camphour and peppermint oil-based ointment for relieving pain and which he called Tiger Balm. Aw Chu Kin based his balm on an ancient folk remedy invented for a lusty Chinese emperor who, as a result, suffered from persistent back pain.

The inventor's two sons, Aw Boon Haw and Aw Boon Par, gave their names to the new company and set about developing Tiger Balm into a product which today achieves worldwide sales of US$100m a year.

While the automated factories in Singapore have superceded a laborious means of preparation, Tiger Balm still retains its distinctive oriental packaging. This, along with the "leaping tiger" trademark, will play a vital role in its marketing. "It's exotic Eastern history will be a key factor in setting it apart from competitors," says Cheah Kok Thai, regional marketing manager.

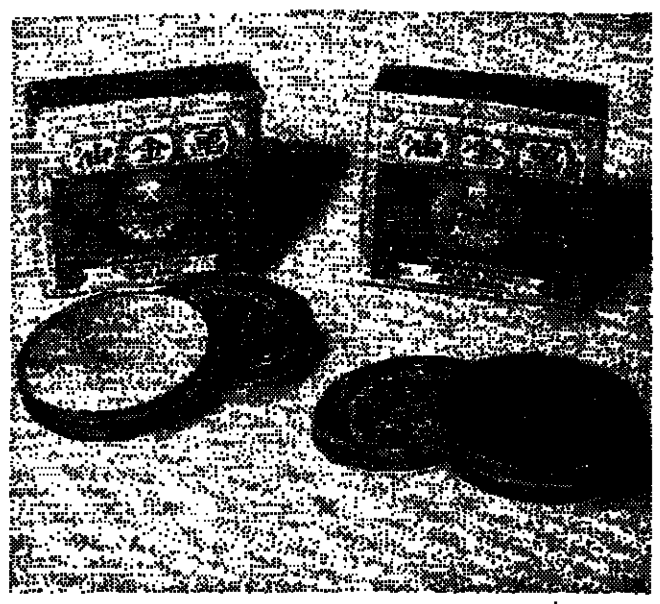
Cheah Kok Thai maintains that the unique Tiger Balm blend of natural oils gives it an edge over rivals based on the chemical methyl salicylate, which, he says, has been linked to allergies and kidney problems after regular use. "We plan to capitalise on the continuing health craze and trend for all things natural," he says.

Tiger Balm's formula remains a closely guarded company secret "like Coke," says Thia Siow Khee, head of the pharmaceuticals division. But the mystery surrounding the particular combination of menthol and camphor, of cassia, cajeput, clove and peppermint oils has given way to chemical analysis and clinical study. This shows that each ingredient has a role to play in soothing pain.

Muscle rubs, such as Tiger Balm and competitiors Bengue and Deep Heat are powerful painkillers. When massaged into the skin, they penetrate deep into the muscle. Then the active ingredients affect the cells of skin and muscles in different ways.

Most important are the "rubefacients" and "vasolators" which promote blood flow and create a feeling of warmth. These help the body deliver more nutrients and oxygen needed for sustained exercise and in the healing process. The extra blood also carries away broken down cells and fluids such as lactic acid, the chief culprit in sore muscles.

Before exercising, athletes massage their muscle with such rubs in order to open up the blood flow in preparation for exercise. After injury, analgesic balms reduce swelling by promoting absorption of fluids in affected areas and accelerating the healing of bruises, strains and sprains.



Tiger Balm: trying to change its image from quirky potion to a credible pharmaceutical

In Asia the versatile Tiger Balm has soothed away arthritic pains, headaches, backaches, even flatulence. But it is athletes and health-conscious young adults who increasingly use a rub as part of their daily workout who, it is hoped, will make the fortune of Tiger Balm in the West. The total market for analgesic rubs is estimated to be US$300m in the US alone.

Tiger Balm is facing the problems that any pharmaceutical company set on breaking into a foreign market must overcome. So Haw Par's strategy is many faceted and involves gaining regulatory approval of its product through clinical trials and research, establishing new distribution networks, and mounting an advertising campaign which will not be hard sell but concentrate on subtly reworking Tiger Balm's image.

For instance, Tiger Balm has for long been stocked by pharmacies in Continental Europe, where it has become a particular favourite with the outdoor-loving Swiss and Dutch. However, in the US Tiger Balm can mainly be found in Chinese districts and in health food shops.

Despite this, one in 10 Americans already knows the product by name. So Haw Par's international manager Jimmy Chang is fast building a new network of distributors, using overseas Chinese where he can, to make Tiger Balm available to drugstore chains and sport stores.

But the more complicated issue of changing Tiger Balm's image, from a quirky potion for arthritic geriatrics to a credible pharmaceutical, touches on suspicions about Oriental products which requires educating not only consumers but also store managers and distributors.

For instance, some people "still ask what it is," says Cheah Kok Thai, and whether it contains "bits of tiger" or a "dash of opium." So "the first thing we have to establish is that it is not made in the backyards of Asia" and Haw Par willingly opens its factories to inspection.

For example, detailed analysis from Britain's Huntingdon Research Institute helped swing an agreement with Boots, the British chemist chain, to carry Tiger Balm in 500 outlets. Until then a certain suspicion of Oriental products held up discussions with Boots, says Cheah. "They pride themselves on high quality, and they weren't sure what Tiger Balm was about." The endorsement, from "the toughest in the business," took years to get, but was "essential to our credibility in the UK," comments Cheah.

Similarly, approval from the demanding US Food and Drug Administration swung open marketing doors in West Germany, Scandinavia, Australia and Sri Lanka.

Despite its many advantages, Cheah does not see Tiger Balm as an overnight sensation. "We have only 1 per cent of the market in the US so we're not ready to challenge the big boys yet." Spending on the low-key advertising campaign will amount to only a few million dolars a year, small by American standards, although it will make imaginative use of tools such as marathon sponsorships and satellite broadcasting.

But he expects Haw Par's patience to pay off in a steady growth in volume of "at least" 5 per cent a year. "Before they know we're around we'll be there," he says.

TV ad production

A minefield for the unwary

Feona McEwan reports on a three-pronged attack on soaring costs

"ADVERTISERS tend to look at television production costs rather like a cobra looks at a mongoose." So Chris Wilkins, creative luminary of the British advertising scene, sums up the running sore in every television advertiser's flesh—the spiralling cost of making commercials. In recent years prices have soared alarmingly and though there are no definitive figures, 18 per cent a year is said to be no exaggeration, although there has been a more recent levelling off.

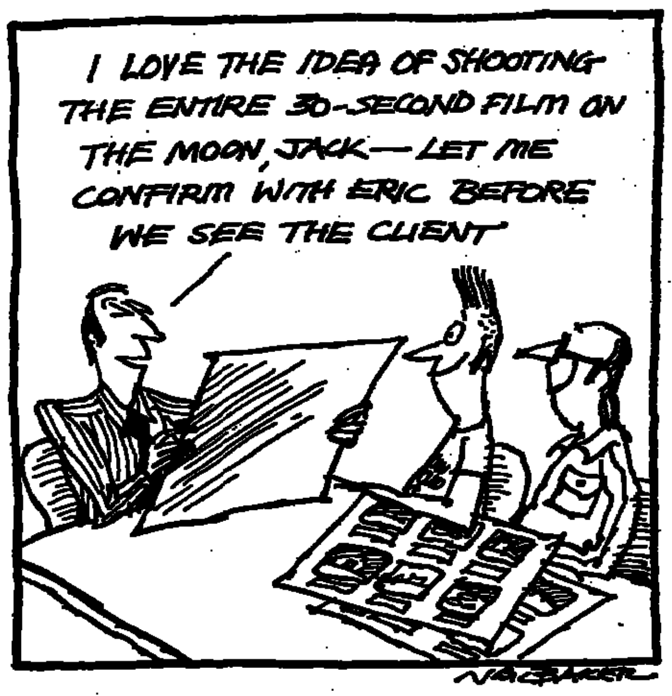
Wilkins goes on: "There is a Parkinson's law that says the amount of time spent discussing costs with a client is directly converse to the sums involved. He will happily settle for, say, £1.25m on media costs (the cost of airtime) and then be deeply suspicious of a hairdresser's fee of £200 for a day's shoot." The reason is, he suggests, that it's easy to relate to a hairdresser's fee, because one has a frame of reference. Not so for the (equally) supersonic media costs.

One insider reckons that costs of airtime have risen 25 per cent in the last year, and production costs by 15 per cent.

The whole business of film making is a minefield for the unsuspecting advertiser and absorbs an increasingly fat slice of a hard-pressed advertising budget. So it is necessary to grasp the fundamental issues. "The problem for advertisers is that many manufacturers are used to clearly identifiable costs but film making is a mixture of technical and creative processes with no fixed point to relate to," says Cecelia Garnett of the Advertising Film and Videotape Producers Association (AFVPA). There is a tendency, she feels, for people to confuse "I don't understand" with "it's out of control."

A 30-second commercial can cost anything from a few thousand pounds to an average of about £80,000 and up to £500,000. For an animation ad (as opposed to live action), £60,000 is said to buy top quality.

Estimating the value of an ad to its advertiser is an individual matter, dependent on a number of factors. Beecham, for instance, which uses Daley Thompson, the decathlon champion, for its Lucozade work, will gladly pay the "star" price and then aim to use the ads over a long period of time.



If an advertiser is set on special effects, the cost must be accepted. Barclays Bank, which wanted an ad reminiscent of the futuristic Blade Runner film, sought out the services of the film's director, Ridley Scott. That level of expertise can cost around £12,000 a day.

Now for the first time in the UK an attempt is being made to bring some order to the jungle of costing. The three factions—advertisers, agencies and production houses—have got round the table and formed a working party of their representative bodies, respectively the Incorporated Society of British Advertisers, the Institute of Practitioners in Advertising, and the AFVPA.

The idea is to examine costs, identify reasons for the steep rises and find ways of controlling them. That sounds promising enough, though problems will doubtless arise in implementing guidelines in what is an inexact science.

At the moment all parties are keeping mum until the publication of a report due at the end of the year.

All parties are calling for a deeper understanding of the complexities of film making. "Advertisers and agencies need to adopt a much more professional management approach to understanding the subject, otherwise they waste money," says Ken Miles, director of ISBA. "One of the key things, though it sounds so obvious, is planning and timing."

Trying to cram a six-week commercial into three weeks clocks up huge overtime bills, for instance. Deciding in January you need an English countryside scene for screening in July could take the shoot to New Zealand and so on . . .

Planning is vital because last minute changes are hugely expensive. Many production houses cost this into their bill in anticipation of late amendments. The J. Walter Thompson agency reports that clients are showing closer interest in how budgets are arrived at.

The ISBA maintains that agencies, too, need to show greater understanding of what costs what. "Not only the television department, but the account management and the creative teams also can't afford to be ignorant."

Chris Wilkins, creative director of Davis Wilkins, adds: "At the moment very few creative departments work to a budget on production costs. They write the script, get it approved; then find out how much it will cost. If it over-extends the clients' budget, they set about ways of finding how to make it cheaper and there's a tendency to cut corners. That way you find yourself tackling Ben Hur with seaside donkeys and Boy Scouts. Whereas, if they started out with an agreed budget and disciplined themselves they would think of ideas within that budget. They should understand what costs money."

Nor does a pricey commercial necessarily mean a persuasive or a memorable commercial. The industry is littered with examples of the good solid central idea and simple, uncostly execution. The Rubik cube ad for Hamlet cigars, for instance, involving a cube, a pair of hands and a puff of smoke, cost no more than £8,000. Similarly the Hamlet "channel 5" ad. Wilkins recalls making three commercials for Outspan oranges, 10 seconds each, for £35,000.

A number of major advertisers now employ cost consultants to guide them through the maze of commercial production. Vyvienne Moynihan has acted as an independent consultant for three years to her blue chip clients after spending a lifetime making films. "There's much more to it than checking the sums," she says. "I explain to them where the budget is going and then it's up to them to decide whether that's value for money, whether it will move bottles off shelves or whatever. It's important for clients to understand the basics about contracts, repeat fees, union rules and so on. Production houses, on the whole, are not greyed or cheapqack; they want to stay in business too, and the agencies aren't rip-off merchants. It helps agencies and clients to have an expert handling a specialist job."

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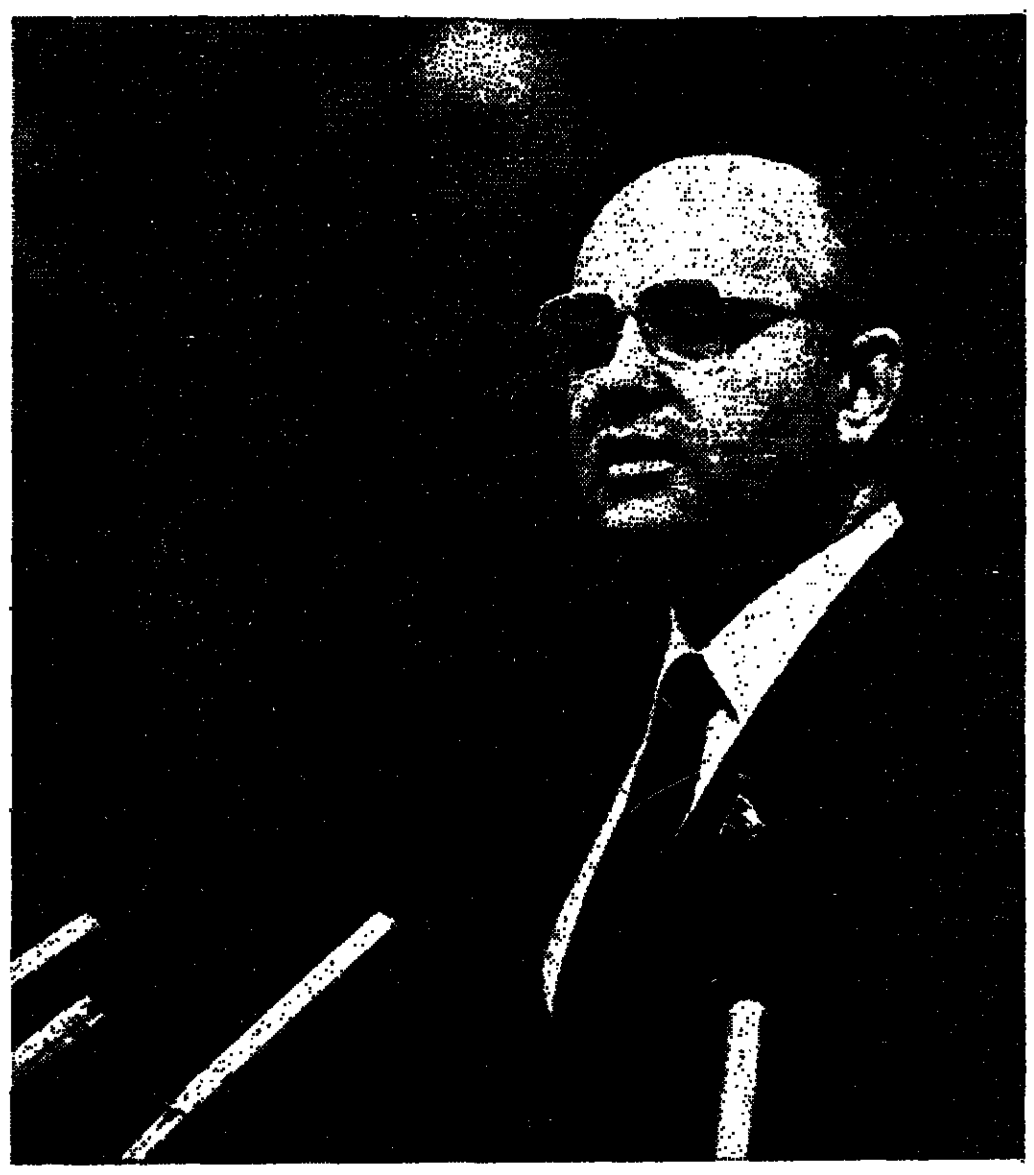
Lines of economic intensification in the 12th Five-year Plan period

Extracts from report by Nikolai Ryzhkov, Chairman of the Council of Ministers of the USSR to the 27th Congress of the CPSU

The 27th CPSU Congress proposed sensible ways of resolving the problems facing humanity. Our objectives are absolutely clear. They are: acceleration of the country's social and economic development, broad international co-operation that benefits all, disarmament and elimination of nuclear weapons, and peace for humanity. Hence our political course both inside the country and in the international arena.

M. S. Gorbachev



IN THE 12th five-year plan period we intend to extend the use of progressive technologies basic to each industry by 50 to 100 per cent. Fundamentally new production methods, for instance membrane, laser, plasma, superhigh pressures, pulse loads, etc., will hold a notable place. The scale on which these methods are applied will be increased several times over, and that will undoubtedly yield a big economic effect.

Another avenue is automation and mechanisation of production that will radically transform work places and make the job of workers, collective farmers and the intelligentsia more productive, creative and attractive. That is one of the principal social objectives that the Party has set itself. The level of automation in the national economy will double on the average. About 5,000 automated control systems are to be introduced in industry.

The future in computer technology

The present-day stage in automation is based on the revolution in computer technology, in computerisation of the national economy. New generations of computers of all classes, from supercomputers to personal computers for school instruction, are to be designed and introduced in the coming five years. Total output of computers is to go up by 2.3 times in the next five years. We are setting the target of large-scale computerisation of the machinery and equipment produced by all industries. The future belongs to this technology.

A characteristic feature of automation in the 12th five-year plan period is rapid expansion of robotics, rotor lines and rotor conveyors, and flexible automated production lines, which ensure high productivity. For example, the number of industrial robots is to be trebled during these five years.

It is intended to substantially reduce materials consumption in social production through the large-scale application of economical types of metal products, plastics, and other progressive materials. In the course of the five years their output is to increase by more than 30 per cent, as compared to an increase of only 6 per cent in the production of traditional materials.

The application of fundamentally new construction materials which have been developed by our scientists and which are greatly superior in quality to those now being used opens up tremendous prospects. That refers, in particular, to composite materials. Their manufacture is to increase by 10-12 times in the 12th five-year plan period.

The scale of introducing new machinery and technologies outlined for the five-year period as a whole will ensure a more than 65 per cent growth in the productivity of social labour and will reduce production costs in industry by 28 billion roubles.

Mutual interest

As far as foreign economic ties are concerned it must be pointed out that being faithful to its policy of peaceful coexistence, the Soviet Union favours cooperation with the developed capitalist states. Here we see considerable potentialities. And that applies to practically all types of relations—commercial, scientific, technical, finance credits, etc. As is known, cooperation is a two-way street. Here, mutual interest must be strictly considered, and all restrictions, boycotts and embargoes orchestrated by the USA must be completely renounced. In the modern world, economic relations can only be based on equal rights, trust, and strict observance of mutual agreements. To act contrary to this, subordinating commercial and economic ties to unseemly political aims, is tantamount to trying to hold up world progress. Historical experience shows that such attempts hold no promise whatever. With this in view the Political Report of the CPSU Central Committee has set forth a new proposal—to call, in the future, a World Congress on Economic Security to discuss all that encompasses international economic relations.

Foreign trade is making a tangible and ever increasing contribution to the development of our economy. There is now practically no branch that has been left out of the sphere of foreign economic relations. But it is impossible to advance rapidly by traditional routes. The first thing to do is to change the raw materials orientation of our exports, and to increase the share of the manufacturing industry in them. This takes time, of course, but work in this area must get off the ground already in the 12th five-year plan period. The ministries, associations and enterprises have to be orientated towards building up the country's export potential, and to raising the quality and competitiveness of machines and equipment, and other manufactured goods.

Measures to fundamentally improve foreign economic activities

The Central Committee of the Communist Party of the Soviet *Union and the Council of* Ministers of the USSR have passed resolutions "on measures to streamline the management of foreign economic relations" and "on measures to streamline the management of economic, scientific and technological cooperation with socialist countries."

The decisions provide for major measures to be effected in these fields, which will be part of the current overhauling of the Soviet economic machinery in keeping with the decisions of the 27th Party Congress.

The Soviet Union over the post-war period has gained extensive positions in the world market and stepped up its foreign trade with socialist countries.

Many-sided trading and economic relations have also been formed with developing nations and western countries. Participation in the international division of labour has become an ever more important factor for Soviet economic development.

At the same time the existing scope, pattern and forms of the Soviet Union's relations with foreign countries in the fields of trade, science, technology and production have come to contradict the requirements of intensification in its economy and of a speedup in scientific and technological progress. This has become especially visible against the background of the thorough-going change taking place in international economic relations under the impact of the scientific and technological revolution.

The Soviet Union's share in world trade does not correspond to *its* achieved level of development and the requirements of its economic growth.

The export potential of the *manufacturing industries, most* notably mechanical engineering, is being used unsatisfactorily and transition to broad cooperation in science, technology and production is too slow.

The available situation has shaped largely due to the outdated methods of managing foreign economic activities and disunity between industry and foreign trade, with individual and amalgamated factories having actually been left out of direct participation in foreign economic activities and socialist economic integration.

Under the just-adopted resolutions, a State Foreign Economic Commission has been set up under the Council of Ministers of the USSR, with the aim of improving the management of foreign economic activities and achieving closer coordination between ministries, departments and organisations, which maintain trade, economic, financial, scientific and technological relations with foreign countries, in their work. The Commission's functions will be to direct the activities of the Ministries and departments in their foreign economic relations.

It will be chaired by a deputy Chairman of the Council of Ministers of the USSR and include the top officials of the leading Ministries and departments of the USSR, which are connected with foreign economic activities.

The planned measures to upgrade foreign economic activities are in the mainstream of measures being undertaken in the USSR to increase considerably the rights and responsibilities of individual and amalgamated factories and transfer them to the basis of complete cost-accounting and self-financing.

The measures aim to give more incentives for manufacturers to make highly-effective products for export and use import resources more rationally.

As of January 1, 1987, over 20 Ministries and departments of the USSR as well as 70 major individual and amalgamated factories will be granted the right to direct participation in export-import transactions, including in the markets of capitalist and developing countries. These Ministries, departments and factories will have their own foreign trade firms operating on a profit-and-loss basis. As appropriate prerequisite conditions are provided, similar rights will be granted also to other Ministries, organisations and enterprises.

The Ministry of Foreign Trade of the USSR and the State Committee of the USSR for External Economic Relations will exercise control over foreign trade transactions with a view to ensuring the general interests of the state.

Those individual and amalgamated factories that are yet without the right to enter foreign markets will export and import products on a basis of contractual relations with the Foreign Trade associations of the Ministry of Foreign Trade of the USSR and other Ministries and departments.

With the *aim* of providing more economic incentives to individual and amalgamated factories and increasing their independence in expanding exports and updating their production facilities, currency deduction funds will be established at these enterprises for funding foreign trade transactions.

These funds may be used to buy the machines, equipment and materials needed for re-tooling and modernisation schemes, research and development efforts and other activities either independently or through foreign trade organisations.

Such purchases in accordance with applications from individual and amalgamated factories and organisations will be included in the import plan fully and made as a matter of *priority.*

Individual and amalgamated factories now also have the right to draw currency credits from the Foreign Trade Bank of the USSR.

The economic responsibility of individual and amalgamated factories for failing to meet planned export targets or contractual commitments has also been increased. These factories will make up the losses incurred in these cases with currency resources from their own funds.

It is planned to ensure a transition from primarily trade relations to deep-going production specialisation and co-operation in economic relations between the socialist countries. The entire work on cooperation will be based on the Comprehensive Programme for scientific and technical progress of the CMEA member countries up to the year 2000. Provision is made to amplify the concept of developing foreign economic relations between the USSR and CMEA member countries, which should become the basis for concerting the long-term economic policy and coordination of state plans. Five-year and annual plans of economic and social development for Ministries and departments of the USSR, the Councils of Ministers of Union Republics will contain targets on volumes of foreign economic relations with special assignments for relations with the CMEA member countries.

Soviet individual and amalgamated factories are granted extensive rights to develop direct relations with enterprises and organisations in other CMEA member countries. They will independently tackle all questions of co-production, including definition of areas and concrete aims of cooperation, choice of partners in CMEA member countries and execution of deliveries under co-production agreements. They will also have powers to sign economic agreements and contracts for the delivery of goods and rendering of services pertaining to cooperation and development of production, to define economic conditions of cooperation and to agree prices for cooperated component parts and services rendered.

Now individual and amalgamated factories and organisations can plan, together with their partners, cooperated productions, providing, above all, for designing and development of advanced technology, construction of new and re-tooling of operating capacities and agree on listed products and volumes of export and import deliveries of goods under co-production.

At present they have broad opportunities for direct participation in implementing the Comprehensive Programme for scientific and technical progress of the CMEA member countries up to the year 2000, in part, research, design and experimental work to be carried jointly with organisations of CMEA member states and an exchange of scientific and technical documentation on mutually agreed conditions.

All revenues accumulated as a result of *international* co-operation will be in full possession of enterprises (except for small deductions to sectoral Ministries). Currency revenues of individual and amalgamated factories are not to be withdrawn by superior organisations.

In relations between socialist countries it is planned to use on a large scale such forms of cooperation as joint enterprises which can be built in the USSR and other countries on the basis of common property as well as international amalgamations and organisations where national property is preserved but joint activities are exercised on the basis of coordinated or common plans.

Joint enterprises will fully operate on a self-supporting basis and will be economically independent organisations vested with broad powers in the sphere of export and import operations, setting of prices for their products, signing of contracts, etc. Profits of such enterprises will be distributed between their participants proportionally to their contributions to the chartered fund.

Joint enterprises will operate in the system of the Soviet economy and will be guided by Soviet legislation, labour and social standards for Soviet citizens. Provision is also made for a new order of detailing Soviet specialists to the CMEA member countries within the framework of direct relations. This order will considerably ease organisation of business trips, since their expediency will be decided directly by managements of individual and amalgamated factories.

The above measures open broad opportunities for accelerating the process of socialist economic integration and further deepening of production, scientific and technical co-operation within the framework of the community.

Provision is made for the *development of new forms of* economic relations with firms in the capitalist countries, including scientific, technical and production cooperation and esablishment of joint enterprises. Applying new forms of economic relations, the Soviet State will proceed, in its relations with foreign partners, from principles of mutual advantage and guarantee respect for their interest and rights. At the same time the State will undeviatingly pursue the principles of State monopoly on foreign economic activities and unconditional observation of Soviet laws and standards by foreign partners.

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The development of Trade and Economic relations between the USSR and Great Britain

by V. M. Ivanov, Trade Representative of the USSR in the UK

THE 27th CPSU Congress which took place in February-March this year worked out a strategic course directed at transferring to the economy a greater degree of organisation and effectiveness with the aim of accelerating the country's economic and social development.

An important place in the realisation of this process is allotted to the Soviet Union's foreign economic ties, which have achieved a significant development in recent years. The volume of the USSR's foreign trade in 1985 stood at 141 billion roubles which is three times the 1976 level.

Naturally, the highest rates of development are in the USSR's trade with socialist countries and, first and foremost, with the CMEA countries. The share of these countries in the USSR's foreign trade is over 50 per cent.

Our relations are also growing with trade partners among the developing countries of Asia, Africa and Latin America. In the 11th five-year plan our trade turnover with them grew nearly one and a half times and added up to 17.3 billion roubles in 1985, or 12.2 per cent of our annual foreign trade turnover.

At the same time the Guidelines of economic and social development of the USSR for 1986-90 and for the period up to the year 2000 envisage development on the mutually beneficial and an equitable basis of stable trade, economic and scientific-technological links with interested capitalist countries and perfection of forms of cooperation with them.

In the past ten year period (1976-1985) the volume of the USSR's trade with the industrially developed capitalist countries increased from 18.7 billion roubles to 37.8 billion roubles, that is more than doubled.

In the Political Report of the Central Committee of the CPSU to the 27th Congress new tasks were set for Soviet foreign trade in accordance with which "there should be a large-scale, forward-looking approach to mutually advantageous economic relations. In setting the aim of actively using foreign economic contacts to speed up our development we have in mind a step-by-step restructuring of foreign trade, of making our exports and imports more effective."

This task fully relates to our trade and economic relations with Britain, which is one of the principal trading partners of the USSR among the West European countries. Soviet-British trade and economic relations have a long-standing tradition. The first trade agreement between our countries was concluded as far back as March 1921. Since then trade and economic relations between the USSR and Great Britain have followed a complicated path of development, experiencing many ups and downs, serious complications and periods of activity, but by and large this cooperation grew positively and reflected objective demands and possibilities of our countries. Analysing the current development of Soviet-British business links over the past five-year period one can point out the following:

Over the period 1981-85 trade turnover between the USSR and Great Britain came to nearly 9 billion roubles (exports 5.3 billion, imports 3.7 billion), exceeding the volume of trade for the preceding five-year period by 1.2 billion roubles.

On the whole, in the period of the 11th five-year plan machinery and equipment worth over 1 billion roubles was supplied from Great Britain to the USSR, including gas-pumping assemblies for the Surgut-Chelyabinsk gas pipeline, a complete set of equipment for two methanol factories in Tomsk and Gubakha and also equipment for the Urengoi-Uzhgorod gas pipeline.

The signing, by Eduard Shevardnadze, Soviet Foreign Minister, and Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs, of the USSR/UK Economic and Industrial Co-operation Programme for the period 1986-1990

The most important event of recent times in the sphere of British-Soviet relations was the official visit to Great Britain in December 1984 of the delegation of the Supreme Soviet led by M. S. Gorbachev.

At the talks, held during the visit, between M. S. Gorbachev and UK Prime Minister Mrs M. Thatcher, other ministers and also heads of leading British companies, much attention was devoted to the question of the future development of Soviet-British trade and economic cooperation.

A concrete appraisal of the prospects of expanding Soviet-British trade was given by M. S. Gorbachev in London to representatives of British business circles.

In order to realise projected goals, both Soviet organisations and British firms should exert a lot of effort in the direction of activating work on the markets of both countries, raising the competitiveness of their proposals.

The visits to the USSR of British Energy Secretary Mr P. Walker and a parliamentary delegation led by Lord Whitelaw, which was received by the General-Secretary of the CPSU Central Committee M. S. Gorbachev, were concrete steps towards the realisation of these tasks. In June the chairman of the State Agro-industrial Committee of the USSR, V. S. Murakhovsky, visited Britain.

In the course of his visit a memorandum was signed with Mr M. Jopling, the Secretary for Agriculture, Fisheries and Food, on mutual understanding between the State Agro-industrial Committee of the USSR and the Ministry of Agriculture, Fisheries and Food of Great Britain on cooperation in agriculture and the production of foodstuffs.

The new Programme for development of economic and industrial cooperation between the two countries, initialled during the 13th session of the Soviet-British Intergovernmental Commission in February 1986 and signed on July 15 the same year during the visit of Soviet Minister of Foreign Affairs E. A. Shevardnadze, can serve as a good reference point in this work.

It, in particular, envisages:
—co-operation in construction, expansion and modernisation of industrial enterprises in Britain and the USSR;

—cooperation in the sphere of building industrial enterprises in the USSR on a compensation basis;

—expansion of industrial cooperation between Soviet organisations and enterprises and British firms:

—a further broadening of the mutual exchange of goods and services.

Listed in the appendices to this Programme are prospective directions of cooperation, in such branches of industry as machine-building, machine-tool construction, the gas and oil industries, chemical and petro-chemical, timber and pulp-and-paper, light industry and the agro-industrial complex, between Soviet organisations and British firms, drawn up with regard for the basic trends of development of the economy of the Soviet Union in the 12th five-year plan period.

It should be pointed out that the prospects for Soviet-British trade to a significant extent are connected with an expansion of exports to Britain of Soviet machinery and equipment, manufactured goods and materials, including new models of cars, tractors, metal-cutting computer - controlled lathes and processing centres, and of domestic electrical, photographic and radio-technical equipment.

As regards the imports of British goods, at the moment the Soviet foreign trade organisations are negotiating with British firms on the possible purchase of sets and single pieces of equipment, including those on a compensation basis, for the construction of new and modernisation of existing enterprises—in the chemical, oil, petro-chemical, gas and car industries, machine-building and other branches, and also in the agro-industrial complex, to a total of around 1.5 billion roubles. The outcome of these talks largely depends on the competitiveness of the British offers, on technical, commercial and financial conditions.

In order to secure the future development of business links between our countries Soviet organisations and British firms must more actively study each other's opportunities.

A significant role in this work is played by the British-Soviet Chamber of Commerce (BSCC), which marks its 70th anniversary this year.

Yet another means of strengthening business contacts is the participation of Soviet organisations and British firms in exhibitions and fairs held in both countries.

The International exhibitions 'Neftegas' and 'Plasmex' were held successfully in Moscow.

The British exhibition 'Britagroprom,' first put on in the USSR in February 1985, received favourable reviews. Mrs P. Fenner, parliamentary secretary at the British Ministry of Agriculture, Fisheries and Food, attended the official opening. At the beginning of 1987 it is planned to hold a second such exhibition in the USSR.

In our view these events will facilitate a closer cooperation between Soviet organisations and British firms.

Business circles from both countries note with satisfaction, positive changes in the development of trade and economic relations between the USSR and Great Britain.

The Soviet Union comes out for an expansion and deepening of trade, economic, industrial and scientific-technological cooperation with Britain on a stable, long-term and mutually advantageous basis. For all this it is absolutely clear that development of such relations with Great Britain, as with other capitalist countries, is only possible in conditions of a stable peace. That is why a most important prerequisite for us, as for all honest people on our planet, is the struggle for peace to which a paramount importance is attached in the Soviet Union.

As the Political Report of the Central Committee of the CPSU to the 27th Congress pointed out: "The main trend of struggle in contemporary conditions consists in creating worthy, truly human material and spiritual conditions of life for all nations, ensuring that our planet should be habitable, and in cultivating a caring attitude towards its riches, especially to man himself—the greatest treasure, and all his potentials. And here we invite the capitalist system to compete with us under the conditions of a durable peace."

V/O Licensintorg on the World Market

by V. V. Ignatov, General Director, V/O Licensintorg

THE Soviet Union has a well established international reputation in various fields of science and technology. There are more than five thousand research institutions in the Soviet Union which are filled with about one and a half million scientists and researchers. Every year tens of thousands of inventions are registered in the USSR. Possessing such a powerful and diversified research potential, the Soviet Union takes an active part in international cooperation.

One of the most dynamic forms of such cooperation is trade in new scientific and technical ideas on a commercial basis and, first of all, on the basis of licence agreements.

In the Soviet Union, operations in the field of licensee trade are mostly handled by the Soviet Foreign Trade Association LICENSINTORG which was founded 25 years ago.

The association comprises nine export/import firms which promote most diverse links between Soviet organisations and their foreign partners. Over these 25 years the association has concluded more than a thousand export and import agreements and contracts with numerous firms from 40 countries. By exchanging licences, know-how and other proprietary rights on a commercial basis, LICENSINTORG helps tackle crucial problems of both universal and particular character in the Soviet economy and in the economies of the countries from which its partners come from.

Under the comprehensive programme of socialist economic integration LICENSINTORG promotes business relations with specialised foreign-trade organisations in the socialist countries and currently works under more than 200 licence agreements.

The purposeful and ever-growing exchange of licences with the socialist countries helps avoid unnecessary duplication and serves as a foundation for fruitful scientific and technical co-operation The number of licences on the latest inventions by scientists and engineers from the socialist countries grows with each passing year.

Among the more active partners of the association one can also name a group of large and medium-sized companies from Italy, France, West Germany and Japan. Foreign experts from the industrialised countries are attracted by the advances in many Soviet industries. In particular, a number of foreign countries have bought Soviet licences to build 35 continuous steel-casting machines. Italian, Japanese, British, Spanish and other foreign companies have bought licences on Soviet-designed dry coke-quenching plants. There are about 50 blast furnaces in operation abroad which use the Soviet-designed evaporation cooling system.

One of the leading machine-building companies in Japan, Tsukishimi Kikai, has bought rights on manufacturing and selling FPAKM pressure filters in Japan under a Soviet licence. More than 250 such filters have been bought from it by Japanese municipal councils to be used at water treatment plants. Pressure filters manufactured under a Soviet licence account for a considerable share of the production programme at a plant belonging to the West German concern Hoechst AG which itself is known in many countries as a manufacturer of various pressure filters. A similar licence is being successfully exploited by the Finnish company Larox.

The past few years have seen the signing of four licence agreements providing for the handover of the Soviet technology of blast plating and for the delivery abroad of appropriate equipment under those agreements. The first such agreement was signed in 1982 between LICENSINTORG and the West German company Ferrostahl. Among the other licensees one could mention the companies Newmet from the US, Veatek Production from Sweden and Babcock Hitachi from Japan.

Next we should turn to our relations with American partners. A point to be noted here is that in recent years the export of Soviet licences to the USA has been running ahead of imports. In particular, we have signed a licence agreement with the well-known MacDermott company on a welding technology for undersea pipelines, which was developed by experts from the Y. O. Paton Institute of Electric Welding. Rexnord has bought a licence on Soviet conical inertial crushers, while Air Products has purchased a technology for designing mass - transfer columns for industrial air separation plants. A number of licences on the production of effective medicinal drugs have been bought by Du Pont, Bristol Mayers, American Home Products, 3M and other US companies.

In fact, our cooperation with foreign companies in such a humanitarian field as the production of drugs and medical equipment deserves special attention. For example, the firm Casella (a division of the Hoechst company of West Germany) manufactures the anti-depressant Pirazidol under a Soviet licence. The Italian firm Medical Plastic has bought the right to use under licence the apparatus for trans-bone osteo-fusion designed by Professor Ilizarov. The British firm Eurolens has signed several licence agreements with the USSR on a number of new developments by the Institute of Micro Eye Surgery which is headed by Professor Fedorov.

There are about 2,000 inventions in the LICENSINTORG export portfolio, which have been offered for sale by various ministries as the most valuable and original in their respective fields on the basis of analysis of the latest trends in science and technology. As it is, the association not only sells licences, but also seeks to provide the Soviet national economy with the latest efficient technologies and equipment developed abroad. The import efforts of the association are fully in line with the trends in the country's development and with the planned growth of its economy.

One of the directions in the work of LICENSINTORG is co-operation. In particular, we have signed a general agreement with the West German company Krupp Industrietechnik GmbH on cooperation in manufacturing new high-capacity converters using charge with a high content (of up to 100 per cent) of metal scrap. These converters designed by Soviet engineers are twice as efficient as the traditional electric furnaces used in scrap processing and also save a lot of energy. The programme of this cooperation is scheduled for 15 years.

Another example of optimal combination of the interests of the cooperating parties are the commercial links between LICENSINTORG and the West German company Stetter. Here, the Soviet side has saved time and expense on the research and development of experimental samples of new truck-mounted concrete pumps, mixer trucks and concrete plants, while the West German side has received a stable and durable market for its parts and joints and has stepped up their output at reduced production costs.

To boost the efficiency of its co-operation with foreign companies, LICENSINTORG sometimes works through joint-stock companies set up together with a foreign partner or partners. The first such venture was the Technicon society formed in co-operation with the Italimpianti company in Genoa, Italy in 1978. A similar society called Technounion was set up in Essen, the FRG, with the local company Ferrostahl. The objective of this latter venture was the fusion and sharing of the best ideas accumulated by the partners in the field of technology, designing and commercial realisation of projects in key industries. As a general agent of LICENSINTORG in the FRG, Technounion actively promotes the sales of Soviet licences in the FRG and in third countries, and also helps in the organisation of production and engineering cooperation. Over the past few years alone Technounion has helped sign more than 30 licence agreements. The establishment of six mixed companies abroad and the participation of LICENSINTORG in mixed companies in other countries like, say, Finland, France, the USA or Australia appreciably broadens our trade opportunities.

The terms of our licence agreements are in line with the terms used in the world practice of licence trade. In signing agreements with foreign partners, we proceed from the principle of mutual benefit and take all the necessary measures to ensure strict observance of their terms.

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B.S.C.C 70 YEARS 1916-1986 Б.С.Т.П

The British-Soviet Chamber of Commerce and its role in British Trade with the USSR

BY SIR JOHN MAYHEW-SANDERS
PRESIDENT OF THE BRITISH-SOVIET CHAMBER OF COMMERCE

TODAY WE are celebrating the 70th Anniversary of the British-Soviet Chamber of Commerce which was founded by an Article of Incorporation dated 23 October 1916. This was the year before the Great October Revolution and the Chamber has been in business continuously ever since. Of course, trade between these two great nations goes back several hundred years before this. There is a letter written by Tsar Ivan the Fourth (Ivan Grozny — The Terrible) in 1555 to Queen Mary welcoming trade and allowing English merchants, who had already started trading in Moscow, to tarry there. The first Russian Ambassador arrived in London in 1557 (perhaps an early example of the flag following trade) and to this day there is a church near the Rossiya Hotel in the centre of Moscow which is still known as the Angliiskoe Podvore — the English Church — that goes back to those days and was used by the first English merchants.

An achievement

In terms of 20th century trade, 70 years' continuity is, of course, no mean achievement. We are genuinely a joint British and Soviet organisation with 57 Soviet Foreign Trade Associations and other Soviet organisations as members, alongside some 550 British companies, covering all types of industrial and commercial activity throughout the UK. We exist, to use the words of our Articles of Association, "to promote, extend and develop" trade between the USSR and the UK, both import and export. We are not a political organisation and are entirely dependent upon membership subscriptions and any income we generate from the activities we organise. We have carried on through periods of political tension and in good times and our aim has been to develop trade and incidentally through that to create a better climate of understanding.

During the past 70 years the Chamber has spanned momentous events and has played no small part in the flow of trade affairs between the two nations. In the early days we played an active role in getting the first trade agreement signed in 1921 between the UK President of the Board of Trade (at that time Sir Robert Horne) and Mr Krassin on behalf of the Soviet government. Then it was through a resolution of our Chamber passed to the UK Government that more positive steps were taken to develop trade in October 1923 with the USSR government at the time of the New Economic Policy. In 1924 the Soviet Chargé d'Affaires accepted office as Joint Honorary President and members of the Soviet Trade Delegation joined the Executive Council. Later the USSR Chamber of Commerce and Industry became affiliated and has played a strong supporting role in our history. We are in fact the oldest joint international Soviet Chamber and older than the USSR Chamber itself.

To understand our role in British-Soviet trade, it is necessary to understand the foreign trade system of the USSR and it is one of the tasks of this Chamber constantly to keep our members informed of any changes that are being made. In the Soviet Union access to the ultimate user is different from that in the West and any successful sales effort must depend upon understanding the system which governs Soviet purchases and sales, understanding how the successive five year plans operate and how and when currency is allocated. Foreign trade in the Soviet Union is a state monopoly executed mostly by the Ministry of Foreign Trade who delegate responsibility to some 50 Foreign Trade Associations who are import and export corporations, working closely with the Ministry or Ministries they represent in purchasing what is required to fulfil the Ministries' plans.

Customer meeting place

Perhaps one of the best ways of entering the Soviet market is to take part in exhibitions which enable sellers to meet and have discussions with the actual end users in addition to the representatives of Foreign Trade Associations. Visitors to an exhibition can range from the man on the factory floor to the technical specialists: all come to see western technology in areas they know. Exhibitions may be organised officially by the USSR Chamber or they may be arranged as a result of an initiative by British or other European organisations with the co-operation and approval of the Soviet authorities. Trade associations in this country play a large part in organising British participation in such events and sometimes obtain support for their members from the British Overseas Trade Board. Exhibitions are also a forum in which companies can hold seminars to give a technical presentation of their products to the specialists who will have come to that exhibition. We at the British-Soviet Chamber of Commerce have advance information, which we publish regularly in our Chamber Bulletin. We also send details of particular exhibitions to interested firms, trade associations and regional chambers of commerce and we send details of exhibitions in Britain to Soviet organisations. We advise our members about participation and work closely with Trade Associations that intend to take part in exhibitions on a group basis.

At government level, trade is reviewed usually each year by a Joint Commission consisting of representatives from the UK Department of Trade and Industry and the British Embassy in Moscow, together with the USSR Ministry of Foreign Trade, supported by representatives of British industry and trade and Soviet delegates from Ministries and FTAs. The importance of these meetings is recognised by both sides and at the last meeting in February a five-year agreement on economic and industrial co-operation was initialled covering the same period as the latest Soviet economic Plan from 1986-90. It identifies in outline the areas of greatest mutual interest to the two countries and has a framework within which trade in both directions can develop.

Information centre

Here in London at 2 Lowndes Street, we are available on a day to day basis to give advice, information and encouragement to British firms selling or planning to sell in the USSR. This day to day activity is also highlighted by special events that we arrange. For example, since 1934 we have organised members' luncheons and these are now arranged on a quarterly basis. They are usually attended by over 300 British and Soviet members and their guests and provide a forum for British and Soviet businessmen to exchange opinions in a friendly and informal environment. At each luncheon the guest speaker is connected with trade at a high level and speakers have included the UK Secretary of State for Trade and Industry, the President of the BOTB, the heads of large companies and Soviet Ministers and Deputy Ministers of Foreign Trade. On special occasions these social events take on an even larger dimension. This year on our anniversary date we shall be having a special luncheon to mark the occasion and the guest speaker will be Viscount Whitelaw, the UK Deputy Prime Minister. He recently led the UK Parliamentary delegation to the Soviet Union.

Our British members can take part in group visits to Moscow that we organise five times a year at a cost of about half that of travelling independently. Through our connection with the USSR Chamber of Commerce and Industry, we can support them by the issue of visas and in securing appointments in the USSR.

The number of places we have been able to secure is considerable but it is still necessary to plan well ahead for we are generally oversubscribed. These group visits began in 1974 and we have now sent 60 missions with approximately 40-45 participants on each. These group visits are not subsidised but have led to the signing of hundreds of millions of pounds worth of contracts.

Every second year we have now arranged for our annual general meeting to take place in Moscow during one of these group visits. These visits have resulted in the largest trade missions ever to go to the USSR.

In March 1985 there were for example 170 British members from 120 companies taking part. These members were augmented by a further 25 members from 20 firms who are resident in Moscow or who travelled independently. Together with guests, officials, media and representatives from Soviet ministries and organisations, the numbers actually attending the Annual General Meeting in Sovincentr reached about 350. During the week we held a seminar on the legal aspects of Soviet foreign trade and delegations from the Executive Council called upon the Chairman of the USSR State Planning Committee (Gosplan) and the USSR Minister of Foreign Trade.

Trade news

Each quarter we mail an information bulletin giving the latest news of Soviet trade both with Britain and worldwide, together with information about products, new technology, contracts, licences, forthcoming exhibitions in the USSR and trade and production figures. This is supplemented annually by detailed trade figures and statistics compiled from both British and Soviet sources.

During the 1920s we published a Journal, which in fact started in 1919 and at one time also a Directory of British manufacturers interested in trading in the USSR. This Directory was printed in cyrillic and circulated in the USSR. In 1983 we revived the publication of the annual Journal in English which is circulated to all members each year and to official organisations, both in the UK and the USSR. It is hoped eventually to produce journals in the Russian language for circulation in the USSR, promoting British industry and in English circulated in this country, promoting Soviet industry. This year we shall be publishing a special 70th anniversary commemorative edition of the journal.

For the last two years we have taken an active part in organising seminars on British-Soviet trade with regional chambers of commerce and city councils in many places, among which were Birmingham, Nottingham, Sheffield, Leeds, Glasgow, Leicester, Edinburgh, Newcastle, Watford and Bristol. During these seminars business cooperation between British companies and Soviet Foreign Trade Associations is discussed and assistance given in particular to firms new to trade with the USSR.

Measures to improve contact

Our activities in London have been substantially augmented recently by a Soviet representative who has been seconded to our office from the USSR Chamber of Commerce. He has strengthened our contacts with the USSR *immeasurably* and in particular has been encouraging British firms to take part in seminars and international exhibitions in the USSR.

However, in all these activities there is one important piece missing. We have known for many years that we cannot function to our full potential effectiveness without a wheel at both ends of the axis. In other words it has long been one of our leading ambitions to open an office in Moscow. Several of the larger British companies and banks have offices in Moscow but many medium-sized and smaller companies would benefit from a Chamber office there on the spot. Continuity is essential in selling to any market and in particular to the USSR, and this has not been easy for small or medium firms with a tight cash flow and limited staff. What British industry needs is the constant provision of a full range of services in Moscow which will feed back trade enquiries and monitor opportunities from Moscow as they arise. An office would provide this, together with a place for meetings and facilities for seminars (in addition to any organised at exhibitions).

Today we are celebrating the 70th year of our existence: to set up an office in Moscow could be one of the most significant events of this, our anniversary year. A number of high level Governmental visits have taken place this year and these have confirmed an upward trend in UK-USSR business relations. The signing on July 15 by Foreign Ministers of both countries of the Programme for the Development of Economic and Industrial Cooperation for the period 1986-90 created the necessary framework for the further expansion of trade in particular areas. All this will give us, as a Chamber, continuing and growing opportunities to contribute to the development of UK-USSR trade relations in the future.

The USSR Chamber of Commerce and Industry (USSR CCI)

B.S.C.C 70 YEARS 1916-1986

A public organisation, with a membership of some 5,000 Foreign Trade Organisations, industrial enterprises and research institutions in the USSR. The USSR CCI maintains longstanding multi-lateral links with a number of Chambers of Commerce, Trade Associations and firms in the UK, including the British-Soviet Chamber of Commerce which is celebrating its 70th anniversary. With this in mind, the Foreign Trade Organisation, Vneshtorgreklama, spoke to E. P. Pitovranov, Chairman of the Presidium of the USSR CCI.

Question :— The USSR CCI has cooperated for many years with the BSCC, which is celebrating its 70th Anniversary in October of this year. How do you view this long period of cooperation?

Answer :— The BSCC started life in 1916 as the Russo-British Chamber of Commerce. The Chamber was founded with the aim of strengthening and furthering the development of commercial links between the two countries. Over the past 70 years the Chamber has successfully fulfilled its intended purpose.

Relations between the USSR and Great Britain have not always run smoothly; there have been peaks and troughs, serious complications and periods of fruitful cooperation. But throughout, the BSCC has strengthened business ties between our countries and has fostered the creation of a climate of trust and mutual understanding.

Today the BSCC is an authoritative organisation whose purposeful and fruitful work is highly respected in the Soviet Union. The USSR CCI has very close business links with the BSCC. The joint work of these two organisations is largely concerned with assisting in the practical implementation of agreements concluded between the two countries in the fields of economics, industry and trade and particularly of long-term programmes of cooperation in these areas.

The activities of the BSCC in the sphere of Soviet-British trade and economic relations take various forms. Every year five delegations of 45-50 representatives of British firms which are members of the BSCC come to our country under the auspices of the BSCC and the USSR CCI. Business meetings are arranged for them with foreign trade organisations (FTO), ministries and departments. Such trips have been taking place for 10 years and have become a regular feature. This means the USSR CCI can be of more effective assistance in planning business schedules for British representatives. Each year the USSR CCI receives in all eight to ten delegations from Britain, representing various economic centres and areas of the country. This year, apart from the five BSCC delegations, delegations from the Chambers of Commerce of Leicester, Birmingham and Watford and also from the North of England Development Council have visited the USSR. We are expecting delegations from Manchester and Northern Ireland at the end of the year. Such trips yield concrete commercial results. From time to time we conduct surveys to ensure that what we are doing is useful for both countries. For example, in the past two years member-firms of the BSCC which have visited our country as part of delegations have signed contracts with Soviet Foreign Trade Organisations worth over 100 million roubles. During the visit to Moscow in 1984 of a delegation from the Birmingham Chamber of Commerce, several British firms received orders from Soviet Foreign Trade Organisations which totalled 17 million roubles. Such examples can be repeated.

For their part delegations of Soviet business associations regularly visit regional Chambers of Commerce and other organisations in Great Britain. An effective way of promoting bilateral trade is through the seminars held in different cities in Britain which are organised by local Chambers of Commerce with the help of the BSCC and the USSR CCI, and in which representatives of the Soviet Trade Delegation, joint companies and Soviet Foreign Trade Organisations participate. These seminars provide a framework for exhibitions of business information, press conferences on trade and economic relations between the two countries, visits to factories and concrete business negotiations with firms. Last year and this year such seminars have been held in Birmingham, Nottingham, Sheffield, Leeds, Glasgow, Leicester, Edinburgh and Bristol. They were conducted in a business-like and friendly atmosphere and were viewed positively by the participants.

At present the BSCC has a membership of more than 500 companies, the majority of which are medium and small size. When organising various functions with the BSCC and regional Chambers of Commerce the USSR CCI pays special attention to its work with medium and small firms. We work on the assumption that large firms can sometimes, independently, without our assistance master the Soviet market and find trading partners for themselves. However, small and medium firms usually need assistance in establishing new business contacts and expanding existing ones.

The BSCC and the USSR CCI work jointly to further the exchange of information between organisations and firms in the USSR and Britain. In its Journal and Bulletin the BSCC publishes material compiled with the help of the USSR CCI on the current state and prospects for Soviet-British trade and economic cooperation, on the development of the economy of the USSR, the activities of Soviet FTOs, information on international and specialised exhibitions in the USSR, statistical data on bilateral trade, and other information.

Q: In your opinion what new aspects of the activities of the BSCC deserve most attention and how would you like to see the BSCC develop in the future?

A: The Council of the BSCC acted correctly in deciding to hold alternate annual general meetings in London and Moscow. These meetings were held successfully in our capital in 1983 and 1985. A delegation of 150-180 from Britain took part in them. The arrival in Moscow of such representative delegations and the business meetings and negotiations with Soviet FTOs bear witness to the interest of business circles in both countries in the expansion and strengthening of bilateral trade. We welcome the next meeting of the Chamber in Moscow in March 1987.

In our opinion the level of Soviet-British business cooperation and also the number of services offered by the BSCC to its British and Soviet members and the increasing information and publishing activities of the Chamber make the decision to open a BSCC office in Moscow all the more essential and justified. We are sure that with the resolution of this question the prestige and authority of the BSCC will be enhanced among both Soviet and British organisations. The effectiveness in the Soviet market of small and medium size firms in particular will also be improved.

In the future, the joint efforts of the BSCC and the USSR CCI should be directed as much towards assisting the development of new forms of collaboration, such as industrial cooperation, as towards strengthening and refining those aspects of their work which have proved to be advantageous and about which I have spoken earlier.

I would like to draw attention to one more point. In addition to promoting British goods on the Soviet market the Chambers should work more actively to increase Soviet exports to Britain, primarily of machinery and equipment.

Q: The USSR CCI sponsors the international and foreign exhibitions held in the USSR. What is the level of participation of British firms in quantitative and qualitative terms?

A: Promoting the commercial organisation of international and foreign exhibitions in the USSR is the direct responsibility of Expocentr, a specialist organisation run by the USSR CCI which has more than 20 years of experience in this sphere. Last year 187 exhibitions of various sorts were held in the Soviet Union. These included international ones, those devoted to particular branches of industry, specialised ones, and exhibitions related to congresses and symposia. Of this figure, 98 were foreign exhibitions. Among these, Britagroprom was a notable event in which 32 firms participated. We await the second such exhibition in February 1987 with interest. The numbers of British firms participating in exhibitions in the USSR over the past few years have remained fairly stable at 230-260 firms a year. Last year, for example, 255 large, medium and small firms took part in 15 international exhibitions. Particularly well attended were the exhibitions 'Zdravookhranenie' (Public Health) — 68 firms; 'Elektrotechnologiya' (Electrical Engineering) — 68 firms; and 'Teleradiotechnika' (Television and Radio Engineering) — 27 firms. This year British firms actively participated in the exhibitions 'Physics,' 'Technology,' 'Communications' and 'Inprodtorgmash.'

I would like to take this opportunity to mention that the programme of exhibitions in the USSR over the next few years is very full. These will include both new and traditional exhibitions such as 'Zheleznodorozhnyi Transport' (Railway Transport), 'Stroiindustria' (Construction), 'Khimiya,' 'Electro,' 'Stroidormash' and 'Inlegmash.' This year there will be a total of 21 specialised exhibitions covering immediate problems in engineering, industry and agriculture.

The quality of an exhibition is, I believe, determined by the scientific and technical ingenuity and new design ideas shown in the products and in their performance. The degree of interest shown by businessmen and engineers in the products on display is a good indication as to their quality.

As far as British participants' exhibits are concerned, it is difficult to give a categorical answer. Some of them attract attention and become the subject of commercial negotiations whereas others are based on old ideas which have not changed to accommodate modern demands and are naturally ignored by the experts. However, on the whole there are significantly more of the first category than of the second.

Q: The World Trade Centre has been in operation in Moscow since 1980. To what extent is it used by British companies?

A: In the past three years the number of economic conferences, symposia and small exhibitions held in the World Trade Centre has doubled. In 1985 there were nearly 300 such functions — 19 of them were staged by British companies. The World Trade Centre houses the Moscow offices of several British firms. However the small and medium size companies which cannot afford to maintain representatives in Moscow make little use of the facilities used by the firm 'Inpred' of the USSR CCI All Union Organisation, Sovincentr, which represents the commercial interests of foreign companies not accredited in the USSR. For example with the assistance of 'Inpred,' the Swedish firm Hambro Sales AB made a tenfold increase in their exports to the USSR in five years.

Q: What in your opinion are the major obstacles in the way of the development of cooperation with British partners?

A: Although we have long-standing, economic and scientific ties, their future development is certainly damaged by the artificially imposed restrictions on Soviet goods. They are also damaged by the fact that Soviet goods are made the subject of all sorts of stipulations.

We in the Soviet Union have always seen in trade based on equal rights, not just economic interest, but also a powerful factor for strengthening peace. There is no doubt that the further development of Soviet-British business relations will help to improve the general political climate between our countries and help to strengthen mutual understanding and trust. The British-Soviet Chamber of Commerce, with its membership of prominent representatives of Soviet and British business circles, will be called upon to play an increasingly more important role in this.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or –	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
¶270	F.P.	—	190	186	BakerHarrisSaund's10p	186	......	R4.0	2.7	3.0	17.4
§115	F.P.	—	122	121	‡Berry, Birch 10p	122	......	R2.5	2.2	4.9	13.1
§100	F.P.	—	109	102	‡Citygrove 10p	102	......	R2.5	2.7	3.5	14.8
§130	F.P.	17/10	198	152	‡Creighton Labs 20p	195	......	U3.7	2.2	2.7	23.6
160	F.P.	24/10	146	123	Euro Home Products 5p	142	......	R4.25	2.5	4.2	10.9
§105	F.P.	16/10	112	103	‡Eve Construction	104	......	u4.5	3.2	6.1	7.3
§135	F.P.	24/10	166	145	‡Great Southern 10p	156	+1	R5.2	2.2	4.7	13.4
	F.P.	—	28	27	Group Development	28	+1	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	205	......	R3.5	3.2	2.4	18.6
§135	F.P.	24/10	245	145	‡Local London Group 5p	230	–10	W5.0	1.8	3.1	25.9
110	F.P.	5/11	129	119	Marlbor'gh Tech Man 5p	129	+3	R2.70	3.1	2.9	13.0
§105	F.P.	24/10	162	133	‡Miller & Santhouse 5p	162	......	u2.25	2.4	2.0	30.3
—	F.P.	—	31	27	New Australia Inv Wrrts	31	......	—	—	—	—
¶75	F.P.	24/10	79	73	‡Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	......	—	—	—	—
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
§95	F.P.	—	97	95	‡Rotunda 10p	95	–1	R30.3	2.8	4.4	11.5
¶110	F.P.	24/10	108	102	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	163	–1	u3.8	2.9	3.3	15.0
100	50	14/11	102	83½	TSB	82	–½	W4.26	3.1	4.5	10.1
‖	F.P.	—	385	320	‡Utd. Trust & Credit £1	330	+10	u14.0	2.1	6.0	11.4
§160	F.P.	5/12	179	170	‡Whitney Mackay 10p	170	......	R4.0	3.0	3.3	14.0
125	F.P.	10/10	156	136	Yorkshire TV	153	+1	R6.25	2.4	5.8	10.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or –
‖	F.P.	13/11	104	100½	Comtech Finance 11½% Cnv. Uns. Ln. 1996	104	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	12	+¼
§100	£10	29/1	10¾	9½	Essex Water 11¼% Red. Deb. 2002-04	10½	+¼
¶100.41	£10	26/2	11⅛	11½	do 8⅝% Red. Pf 1993	11½	......
‖	Nil	14/11	9ppm	6ppm	‡Goodhead Print 7% Cnv. Red. Prf	8ppm	......
§100	£10	25/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	5	+1
—	F.P.	—	100⅜	98⅝	Nationwide 10⅜% 21/9/87	98⅝	......
—	F.P.	—	100	100	Do 11¼% 26/10/87	100	......
¶101.87	£10	23/1	11¾	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	......
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¾% 1stMort.Deb.2016	19½	+¾
—	F.P.	—	116p	104p	Scot. & Newcastle 7% Conv. Pref. £1	112p	+1
¶102.25	£10	8/1	13¾	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	......
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. Red. Pref. 1999	116p	......
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	......
¶¶	F.P.	—	104p	99p	Williams Hldgs 5¾% Cum Cnv Pref	99p	–1

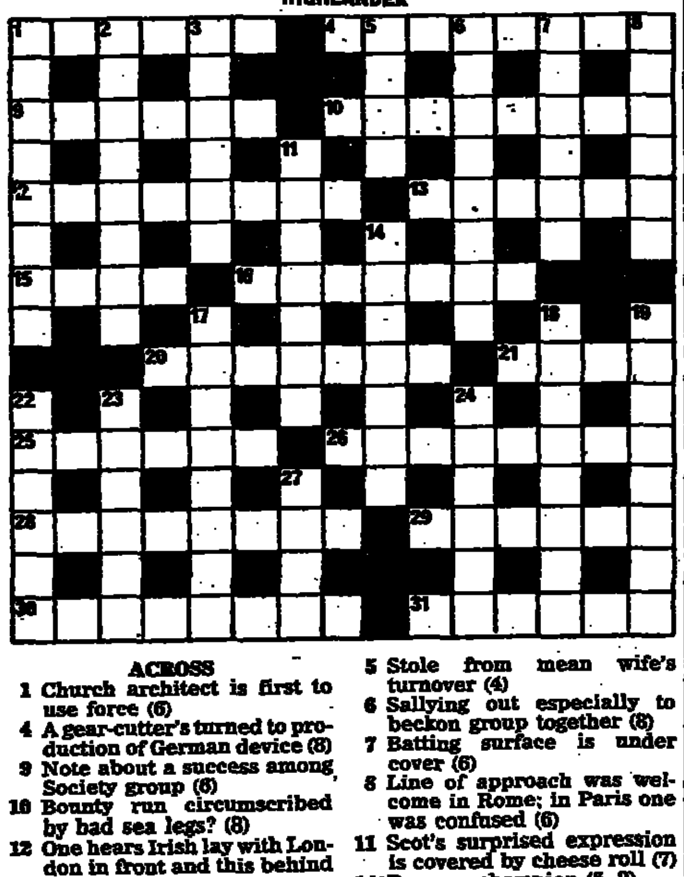
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or –
140	Nil	25/11	24pm	18pm	Banro Inds. 20p	18pm	......
180	Nil	5/12	9pm	2pm	Beazer (C.H.) 10p	2½pm	+½
137	Nil	—	18pm	18pm	Beltway	18pm	......
86	Nil	—	94pm	94pm	Brown Boveri	94pm	......
90	Nil	12/12	10pm	7pm	Bryant Hldgs.	8pm	+1
71	Nil	24/11	6pm	3pm	Burns Anderson 10p	4pm	+1
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	......
30	Nil	25/11	9pm	1pm	Norfolk Cap 5p	1pm	......
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
5	Nil	21/11	1pm	½pm	Platignum 5p	1pm	......
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	6½pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▩ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No 6,158

HIGHLANDER



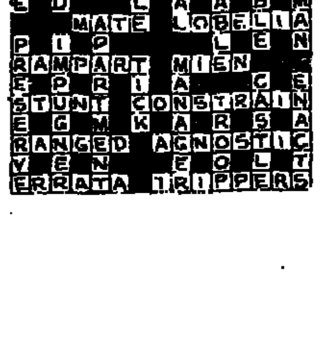
ACROSS

1 Church architect is first to use force (6)
4 A gear-cutter's turned to production of German device (8)
9 Note about a success among Society group (6)
10 Bounty run circumscribed by bad sea legs? (8)
12 One hears Irish lay with London in front and this behind (8)
13 Apply gold to state carriage (6)
15 Southern style, unfortunately (4)
16 You'll need another shot: lie is not helpful at all (7)
20 Gallant running (7)
21 Foundation established by English church historian (4)
25 Should hesitation in speech contribute to fall of America? (6)
26 Untypical blood group? Mistake by social worker (8)
28 Dogs leg is in a state—out of control (8)
29 Bean travels with one under the boot like a smuggler (6)
30 Drink has strange thing on top (8)
31 Remains inside, bristling with anger (6)

DOWN

1 In the company of backward drop out (8)
2 Light ale brew blended there first (8)
3 Bunch of flowers from Tom's family (6)
5 Stole from mean wife's turnover (4)
6 Sallying out especially to beckon group together (8)
7 Batting surface is under cover (6)
8 Line of approach was welcome in Rome; in Paris one was confused (6)
11 Scot's surprised expression is covered by cheese roll (7)
14 Reserve champion (5, 2)
17 Made a monkey out of me and most gunners (8)
18 Domestic advance (8)
19 Face appearing regularly in the press (8)
22 Fly possesses several (6)
23 Horses in a group make way to enclosure (6)
24 Bird or beef? (6)
27 12 points bullfighter needs to start with (4)

Solution to Puzzle No. 6,157



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

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Growth Trust	51.9	55.3	-0.4	2.24
Income Trust	53.9	57.4	-0.4	5.04

Wright Seligman Fund Managers Ltd
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Y.G.T.	129.8	138.1	-0.1	3.12

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Equity Ser 2	109.3	115.1	+0.2	—
Selective Acc.	233.9	246.3	+0.5	—
Prop. Ser 4	220.5	232.2	+0.3	—
Equity Ser. 4	112.7	118.7	+0.2	—
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American Ser. 4	255.0	268.5	+0.4	—
High Inc. Ser. 4	287.7	302.9	+2.3	—
Japan Ser 4	222.5	234.3	-4.2	—
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European Ser 4	122.1	128.6	-0.6	—
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Property	357.5	376.4	-0.3	—
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[illegible]

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Conservative Mngd Fd	110.3	116.2	-0.4	—
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Investment Funds				
Mixed	131.4	138.4	+0.1	—
Equity	148.9	156.8	-0.2	—
Property	109.8	115.6	----	—
Gilt & Fixed Interest	106.6	112.2	+0.6	—
Indexed Securities	97.2	102.4	----	—
Cash	108.1	113.8	----	—
North American	108.1	113.8	+0.1	—
Far East	122.4	128.9	-2.2	—
International	124.8	131.4	+0.2	—
Special Situations	141.0	148.5	-1.1	—
International Income	140.4	147.9	+0.4	—
American Income	118.6	124.9	+0.9	—
European	150.6	158.6	+1.7	—
Flexible Retirement Plan				
Mixed	134.4	141.5	----	—
Equity	142.5	150.0	----	—
Property	115.4	121.5	----	—
Gilt & Fixed Interest	112.8	118.8	+0.7	—
Indexed Linked	99.2	104.5	----	—
Cash	116.1	122.3	----	—
North American	113.2	119.2	+0.2	—
Far East	134.8	141.9	-3.4	—
International	131.1	138.1	-0.2	—
Special Situations	157.3	165.6	-1.7	—
European	174.0	183.2	+2.2	—

Executive Investment Pension Plan
Prices on October 15. Unit dealings on Wednesday.

Cash Fd.	140.0	147.4	----	—
Mixed Fd.	188.5	198.5	----	—
Fixed Int. Fd.	140.5	148.0	----	—
UK Equity Fd.	218.5	230.1	----	—
Property Fd.	134.1	141.2	----	—
Overseas Fd.	193.0	203.2	----	—
Index Linked Fd.	106.4	112.1	----	—
Stock Ex. Fd.	152.3	160.4	----	—
North Am Fd.	117.6	123.8	----	—
Far East Fd	156.5	164.8	----	—
Special Sits Fd	158.9	167.3	----	—
Europ. Fd	177.4	186.8	----	—

Initial prices available on request.
For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd
15 St James's Sq, London SW1Y 4LQ 01-930 5474

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Inv Ad Mercury Warburg Inv Mngmnt, London

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.54		-0.05	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.23			—

Inv. Adv. - M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$16.33			—
Dynamic Gwth Fd	$18.58			—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.44	12.66	-0.05	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

Charities Aid Fndtn Money Mngmt Co Ltd
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fund	10.25	7.66	11.24	3-mth
7-day Fund	10.88	7.83	11.50	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	10.30 (10.70 car)		....	3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fund	10.44	7.81	11.43	6mth
7-day Fnd	10.21	7.63	11.17	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	10.52	7.86	11.28	6-Mth
7-day Fund	9.48	7.09	10.17	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 3484

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Cur Acc	10.25	7.50	10.86	Qtr

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	10.25	7.66	11.10	Qtr
MthIntChq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth

Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-283 9111

	Gross	Net	Gr Equiv CAR	Int Cr
High Int. Cheque Acc	11.00	8.22	12.03	Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Cheque Acc	10.50	7.85	11.46	Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891

	Gross	Net	Gr Equiv CAR	Int Cr
High Int. Cheque	9.50	7.00	10.12	Qtr

Benchmark Trust Ltd
9 Henrietta Place, W1M 9AG. 01-631 3313

	Gross	Net	Gr Equiv CAR	Int Cr
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 01-248 4000

	Gross	Net	Gr Equiv CAR	Int Cr
Sterling	10.50	7.85	11.46	Mth
U.S. Dollar	5.375	4.02	5.78	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.00	0.75	1.06	Mth
Japanese Yen	4.00	2.99	4.27	Mth

Citibank Savings
St Martins Hse, Hammersmith Grove 01-581 1422

	Gross	Net	Gr Equiv CAR	Int Cr
Money Market Plus	Top rate	7.00	10.18	Mth

For other rates please 'phone our Infoline 01-581 0629

Co-operative Bank Cheque & Save
78-80 Cornhill EC3 01-626 6543

	Gross	Net	Gr Equiv CAR	Int Cr
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr

Dartington & Co Ltd
Dartington, Totnes, Devon TQ9 6JE 0803 862271

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Acc	10.625	7.94	11.52	Qtr

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt. Cheque Acc	10.5	7.85	11.46	Mth

Legal & General (Money Mngrs) Ltd
355 Euston Road, NW1 3AG 01-388 3211

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Dep Acc	9.70	7.25	10.39	6-mth

Lloyds Bank PLC
71 Lombard St, London EC3P 3BS 01-626 1500

	Gross	Net	Gr Equiv CAR	Int Cr
HighIntCheque Account	9.00	7.20	10.42	Qtr

Lombard North Central PLC
17 Bruton St, W1A 3DH 01-409 3434

	Gross	Net	Gr Equiv CAR	Int Cr
14-Day Notice	9.00	6.73	9.46	—

M & G/Kleinwort Benson
M & G Hse., Victoria Rd., Chelmsford 0245 266266

	Gross	Net	Gr Equiv CAR	Int Cr
H.I.C.A. (£2,500+)	10.13	7.57	11.0379	Daily

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8655

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	9.97	7.45	10.79	Qtr
£10,000 +	10.30	7.70	11.16	Qtr

M.I.M. Britannia Ltd
74-78 Finsbury Pavement, EC2A 1JD 01-588 2777

	Gross	Net	Gr Equiv CAR	Int Cr
Cater Allen	10.13	7.57	11.0379	—

NatWest Special Reserve Account
41 Lothbury, London, EC2P 2BP 01-256 9933

	Gross	Net	Gr Equiv CAR	Int Cr
£2,000 to £9,999	10.25	7.625	11.05	Qtr
£10,000 and above	10.375	7.75	11.24	Qtr

Oppenheimer Money Mngmt Ltd
66 Cannon St, EC4N 6AE 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mngt. Acct	10.375	7.76	11.27	3-Mth

Phillips & Drew Trust Ltd
120 Moorgate, London EC2M 6XP 01-628 9771

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	10.50	7.85	11.30	Qtr

Provincial Trust
30 Ashley Rd, Altrincham, Cheshire 061-928 9011

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	11.00	8.22	12.02	Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

	Gross	Net	Gr Equiv CAR	Int Cr
Premium Account	10.37	7.75	11.29	Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 66966

	Gross	Net	Gr Equiv CAR	Int Cr
H.I.B.A.	10.03	7.50	10.97	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

	Gross	Net	Gr Equiv CAR	Int Cr
Demand Acc	10.72	8.01	11.65	Qtr
Money Acc	10.03	7.50	10.86	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

	Gross	Net	Gr Equiv CAR	Int Cr
Special Acc	9.75	7.29	10.61	Mth
Over £10,000	10.00	7.48	10.90	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5SE 0752 224141

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	11.19	8.36	12.15	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Cheque Acc	11.0	8.23	11.94	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	36	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	58	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	Tesco	36
Brit. Telecom	17	Thorn EMI	42
Burton Ord	26	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	24	Unilever	140
Comm Union	28	Vickers	36
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	15	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	40	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min.	3½
GKN	24	Brit Petroleum	50
Hanson Tst.	18	Burmah Oil	32
Hawker Sidd.	42	Charterhall	4
ICI	75	Premier	3½
Jaguar	42	Shell	65
Ladbroke	32	Tricentrol	8
Legal & Gen	20	Ultramar	17
Lex Service	32	**Mines**	
Lloyds Bank	38	Cons Gold	62
Lucas Inds	46	Lonrho	22
Marks & Spencer	18	Rio T Zinc	62
Midland Bk.	48		
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99½	94⅞	Exch. 2½pc 1986	99⅛xd	...	—	—
102½	100⅝	Exch. 13½pc 1987	100½	...	13.20	11.26
100⅞	97⅝	Treas 10½pcCv '87	99⅜	...	10.29	11.05
98⅛	92½	Exch 2½pc 1987	98⅛	+⅛	2.54	8.26
101⅝	97½	Exch. 10½pc 1987	99⅞	+⅛	10.53	11.14
98⅞	93⅞	Funding 6½pc 85-87	98⅛xd	+⅛	6.61	10.22
101⅛	96½	Treas. 10pc 1987	99½	+⅛	10.07	11.00
97⅛	90⅞	Treas 3pc 1987	96⅛	+⅛	3.11	8.34
104⅞	99⅞	Treas. 12pc 1987	100⅞xd	+⅛	11.90	11.10
99⅛	92½	Treas 7¾pc 1985-88‡‡	96⅛	+⅛	8.03	10.65
104	96½	Exch 10½pc '88	99⅛xd	+⅛	10.60	11.13
102⅞	95⅛	Treas 9½pc Cv '88	97⅞	+⅛	9.96	11.14
94⅛	86⅞	Transport 3pc '78-88	91⅝	+⅛	3.27	8.40
102⅛	93½	Treas. 9½pc '88	97⅛xd	+⅛	9.80	11.18
107⅛	98⅛	Treas 11½pc 1989	100⅝	+⅛	11.44	11.12
103⅛	93⅛	Treas 9½pc Cnv 1989	95⅝	+⅛	9.82	11.03
92⅛	82⅛	Treas 3pc 1989	87½xd	...	3.42	8.54
105⅛	95⅛	Treas 10½pc 1989	98⅝	+⅛	10.67	11.18
104⅛	94⅛	Exch 10pc 1989	97⅛	+⅛	10.30	11.14
107⅛	97	Exch 11pc 1989	99⅝	+⅛	11.05	11.12
93⅛	84½	Treas 5pc 1986-89	88⅝	+⅛	5.66	9.58
110⅛	94⅞	Exch 10½pcCv '89	101xd	+½	10.15	9.90
114⅛	103⅛	Treas 13pc 1990‡‡	105⅛	+⅛	12.40	11.15
108⅛	97⅛	Exch 11pc 1990‡‡	99⅛	+⅛	11.05	11.07
113⅛	101⅛	Exch. 12½pc 1990	104⅛	+⅛	12.03	11.08
89⅛	79⅞	Treas. 3pc 1990	83½xd	...	3.59	8.58
100⅛	89⅞	Treas 8¼pc 1987-90‡‡	93⅛	...	8.85	10.53
106⅛	93	Treas. 10pcCv 1990	96⅛xd	+⅛	10.37	11.08
86⅛	76½	Exch 2½pc 1990	80⅛xd	+⅛	3.10	8.32
112⅛	99⅛	Treas 11¾pc 1991	102⅛	+⅛	11.50	10.94
94⅛	83⅛	Funding 5¾pc '87-91‡‡	87⅛	–⅛	6.58	9.32
86⅛	79⅞	Treas. 3pc 1991●	79⅞xd	+⅛	3.73	8.38
		Five to Fifteen Years				
110⅝	96½	Exch. 11pc 1991	99⅞xd	+⅛	11.01	11.02

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

1986 High	1986 Low	Stock
37⅛	28⅛	Chemical New York
35⅛	26⅛	Chesebrough-Pond's
31⅛	19⅞	Chrysler $6¼
42⅛	33⅛	Chicorp $4
12⅛	774p	CityFed Fin. Corp.
28⅛	21½	Colgate-P. $1
67⅛	42⅞	Colt Inds. $1
25⅛	16⅛	Cons Freightways
819p	399p	Cont Illinois Corp
89⅛	13⅛	Cont Illinois Hldgs
93p	39p	●Corporate Data
13⅛	435p	Collinet Sftwr
287p	34p	Damson Oil 40c
27⅛	17⅛	Data Corp. $1
33⅛	18⅛	Data General
24⅛	81⅛	●Derma-Lock
79	55⅛	Dun & Bradstreet
52⅛	42⅞	Eaton Corpn. 50
25⅛	18⅛	FPL Group $0.
15⅛	625p	Fairmont Fin.
23⅛	16⅞	First Chicago
42⅛	25⅛	Ford Motor $2
28⅛	20	GATX 62½c
54⅞	47⅛	Gen. Elect. $1¼
16⅛	612p	●General Host Corp
32⅞	24	Gillette $1
15⅛	10	Gt Am First Sags
31⅞	23⅛	Gt. Western Fin.
25⅛	18½	Greyhound $1.50
20⅛	11½	Hasbro Inc $0.5
57⅛	42	Honeywell $1.50
28	22⅞	Hospital Corp Am
24⅞	19⅛	Houston Inds Inc
112⅛	83⅞	IBM Corpn $1.2
19⅛	12⅞	IC Industries
38⅛	25⅞	ITT Corpn. $1

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Gr's
112	30	Anglo-Dominion	105	+7½	—	—	—
42	19½	Anglo Utd Dev.	24		—	—	—
80	27	♥Colby Res Corp.	35		—	—	—
300	115	Cons. Murch. 10c	£1¾	–⅛	Q60c	4.4	11.5
34	24	♦Essex Int. Ir10p	24		—	—	—
144	70	Greenwich Res	124		—	—	—
157	93	Hampton Areas 10p	146		♦2.0	—	1.0
327	165	♥Highwood Res	242	+2	—	—	—
£20¼	£13½	Homestake Mining $1	£19		Q20c	—	0.7
310	156	♥McFinley Red Lake	200		—	—	—
285	144	♥Musto Explorations	203	–7	—	—	—
51	28	♥New Sabina Res C$1	35		—	—	—
353	200	Northgate C$1	345	+1	—	—	—
790	513	RTZ	659	–5	22.0	2.4	4.8
£164	£115	Do. 9½pcLn '95-2000	£143½		Q9½%	15.5	6.7

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60		Fin. 13% 97/02	£95¾	+¼
Craig & Rose £1	£15		Arnotts	270	+10
Finlay Pkg. 5p	47		CPI Hldgs.	40	
Holt (Jos) 25p	810		Carrol Inds.	111	+1
Jold Stm. £1	76		Dublin Gas	38	
			Hall (R. & H.)	79	
IRISH			Heiton Hldgs.	29	
Fund 11½% 1988	£96½	+⅛	Irish Ropes	95	
Nat. 9¾% 84/89	£96⅝	+⅛	Unidare	240	+8

"Recent Issues" and "Rights" Page 43
(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Oct 13	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*"New time" dealings may take place from 9.00 am two business days earlier.

Government securities close with widespread gains but equities ease in late trading

London's securities markets had a somewhat uncertain session, with initial optimism over the Opec agreement on production quotas fading away as the session progressed. Oil stocks had largely discounted the Opec annocuncement, and soon reversed their early gains. The rest of the equity market followed a similar pattern to end with small losses.

Government bonds moved up smartly during the first half of the session, and showed gains ranging to a full point at midday. Support then waned behind a sliggis performance by the pound, and prices slipped back when initial reports of the official estimates of US gross national product caused a flicker of nervousness over inflation. Prices steadied again before the close, and net gains of ¾ were recorded at the longer end. The FT Government Securities Index added 0.33 to 82.59.

Once it was clear that oil stocks would not provide the stock market with a lead, share prices slackened. Early gains of several points in major markets indices were steadily eroded, to be replaced by net losses at the close.

Holding back the major indices was a sharp fall in Hawker Siddeley after a disappointing set of interim figures. The FT-SE 100 Index fell 1.6 to 1589.6, and the FT Ordinary Index 2.8 to 1262.4.

Beecham stood up better than most of the blue chips as good investment buying came from both domestic and international sources. Also firmer were Jaguar.

Speculators in Imperial Continental Gas Association ignored the 530p a share cash bid from Gulf Resources, and drove IC Gas shares up by a further 18p higher to 571p. The market expects a higher offer from Gulf, or from another source—perhaps Petrofina, in which IC Gas holds a share stake.

Composites revive

Composites were given a fillip by news of strong third-quarter profit improvements from a trio of US insurance groups and, by a recommendation from brokers Phillips and Drew, advising clients to buy the sector ahead of the approaching quarterly season. Royals, which are scheduled to reveal third-quarter figures on November 13, touched 837p before closing 15 higher on balance at 829p. GRE also put on 15 at 814p and Sun Alliance added 13 at 697p, after 700p. General Accident firmed 10 to 819p and Commercial Union hardened a penny at 288p, after 290p; the latter's third-quarter results are due on November 12. Elsewhere, Legal and General found support at 235p, up 7. C. E. Heath cheapened a few pence to 560p awaiting further bid developments following its rejection of PWS Internation, unaltered at 315p.

After a busy first half an hour or so when cheap buyers pushed the major clearers up by as much as 12, interest then waned considerably and closing levels were well below the day's best. Barclays ended 7 higher at 465p, after 470p, and Lloyds a penny dearer at 408p, after 417p, but NatWest finished 5 lower on the session at 502p, after 512p. Merchant banks were inclined higher in places. Kleinwort Benson added 5 at 500p as did Rea Bros, at 68p. Mercury International moved up 35 at 355p.

Commercial estate agents Baker Harris Saunders staged a bright market debut; the shares, offered for sale by tender at a minimum price of 150p with a striking price of 170p, opened at 188p and touched 190p before closing at 186p.

Bass enlivened an otherwise lacklustre session in the drinks sector, rising 10 to 705p, after 710p, in belated response to an encouraging circular from brokers Wood Mackenzie. Regionals featured fresh support of perennial takeover favourite Buckleys, finally 4 up at 120p.

Traded option activity and Australian bid hopes prompted a lively business in Blue Circle which touched 611p prior to closing 5 higher on balance at 605p. Rugby Portland Cement, however, succumbed to profit-taking in the wake of Tuesday's speculative gain and closed 4 cheaper at 157p. Cement Roadstone moved ahead on currency influences to close 5 higher at 108p. Elsewhere in the Building sector, F. J. C. Lilley slumped to 24p prior to closing a net 16 down at 26p following Press comment suggesting that the company may be in difficulties; the company announced yesterday that the interim results and a statement will be released next Wednesday. Profit-taking left Wiggins 5 lower at 152p and Tilbury Group a couple of pence off at 178p. Thomas Warrington contrasted with aspeculative rise of 7 at 95p, while Tay Homes revived with a gain of 13 at 176p.

Chemicals continued to highlight Foseco which moved ahead strongly on rumours of an imminent 300p per share offer from Burmah to close 23 higher at 258p, a two-day advance of 31p.

J. W. Wassall good

Multiple footwear retailers J. W. Wassall featured secondary Stores with a jump of 16 to 78p following speculative buying on asset injection hopes. Acsis Jewellery reflected vague takeover gossip with a gain of 3 at 18p and improvements of 7 and 15 were seen in Lee Cooper, 255p, and Church, 430p. Lincroft Kilgour, awaiting bid terms from Priest Marians, improved 5 at 255p, but French Connection cheapened 10 more to 200p in a restricted market ahead of today's interim figures. Leading retailers plotted an irregular course in thin trading. Next added 4 at 251p and Woolworth firmed 5 at 635p, but Dixons softened a couple of pence at 348p and Storehouse relinquished a few pence at 308p. Among Shoe concerns, FII advanced 15 at 310p.

Computer consultancy group System Designers plummeted to 44p at one stage before closing 26 down at 50p on the company's shock warning that it will make only a £4m profit this year against £7.3m last. Logica fell 8 i sympathy to 199p, after 191p. Among other secondary Electricals, Sunleigh revived with a speculative gain of 4½ at 26p on asset injection hopes. Grosvenor closed 10 better at 135p following details of the share exchange bid from Hollis, while BSR put on 3 at 88p. Amstrad rallied a couple of pence to 118p, after 120p, following the company'h reported reassuring remarks about prospects for its PC 1512 business computer.

Acutely disappointing interim figures prompted sustained selling of Hawker which fell away steadily to close around the day's lowest with a fall of 32 at 415p. Among the other Engineering leaders, GKN encountered early demand and touched 265p before drifting back to close only 3 better on the day at 261p. Elsewhere, speculative buying amid vague takeover rumours left Simon 20 up at 263p, after 263p. McKechnie edged up 4 to 232p awaiting today's preliminary figures; the company has already forecast pre-tax profits of £18m. Mitchell Somers continued firmly and closed a similar amount dearer at 110p, but North British Steel, sharply higher in the previous trading session following a tip sheet recommendation, eased back 5 to 46p on occasional profit-taking.

Among Foods, old takeover favourite Bejam surged forward to 166p before closing 11 higher at 165p as speculation about a bid from Iceland Frozen Foods mounted; the latter, down to 574p at one stage, eventually closed 5 cheaper at 577p.

Grand Metropolitan drifted back to close 11 down at 435p following the expiry of the October traded option series.

Brammer feature

The miscellaneous industrial sector was enlivened by speculative demand for some of the old bid favourites. Brammer featured a gain of 20 at 271p, while Briden, although below the best, settled with a rise of 6 at 155p. Highgate and Job rose 15 to 150p. Sandhurst Marketing held at 86p following the agreed one-for-one share exchange offer from Tootal; the latter closed 2½ down at 89½p. William Sinclair, reflecting satisfactory preliminary figures and the proposed one-for-five scrip issue, improved 5 to 205p. Suter encountered persistent demand and put on 12 to 222p, while Lilleshall, regarded as shell situation, rose 15 more to 150p. Stocklake, reflecting the increased annual profits, rose 8 to 241p. Pentland, in contrast, met with occasional offerings and gave up 10 to 430p. Smiths Industries, unaltered at 236p, failed to benefit from the announcement of a contract worth £15m to supply avionics for the F-5E fighter aircraft. Leading issues presented a mixed appearance. BOC firmed 6 to 329p and Beecham settled 5 to the good at 425p. Glaxo gave up 7 to 940p, while speculative activity faded in recent takeover favourite Pilkington which drifted back a few pence to 486p.

Television issues attracted renewed institutional demand and closed on a distinctly firm note. TV South stood out with a gain of 18 at 258p, while Thames TV firmed 6 to 282p and LWT advanced 8 to 418p.

US investment houses showed little interest again in Jaguar but sporadic domestic buying lifted the shares 7 to 515p. With the exception of British Car Auction, 4 dearer at 158p ahead of Tuesday's preliminary figures, changes in the Motor sector were few.

Mr Robert Maxwell's acceptance of the Norton Opax offer for his 10.88 per cent stake in McCorquodale—he intends to retain his prospective interest in the enlarged group—brought pressure to bear of the former which fell to 128p before recovering to settle 5 down on the day at 135p. McCorquodale remained at 263p and late in the evening Norton extended its final offer until 1.00 pm on November 7. Encalyptus put on 30 to 590p, while Olives Paper Mill gained 3 to 62p.

Property Holding and Investment, the subject of a 160p per share tender offer from Apex Group of New Zealand, were marked 3 higher to 169p on news that PHIT is in discussions with an unnamed third party which may lead to an offer for the company. Hammerson "A" retained an initial gain of 5 at 430p after revealing interim results much in line with market estimates, but Land Securities, partly reflecting traded option business, settled a couple of pence cheaper at 320p. Parkdale Holdings were a volatile market and, after early progress to 86p, eased back to close unchanged at 80p. Egerton gained 6 to 105p and London Shop Property put on 7 more to 180p on takeover hopes, but Gilbert House encountered profit-taking and came back 7 to 88p. Belgrave Holdings were firm at 144p, up 4, but I. D. & S. Rivlin shed 8 to 128p following details of the company's participation in the forthcoming redevelopment of 14, Ryder Street, St James, London SW1.

Suggestions that the group was now strongly pursuing its textile manufacturing activities and could shortly dispose of its life assurance and computer services businesses touched off support for Lamont, up 5 at 181p. Youghal, on the other hand, encountered profit-taking in the absence of the mooted bid from Coats Viyella and closed 1½ down at 13½p.

The extended weakness of the Tokyo market continued to unsettle Japanese-orientated Trusts, some of which registered double-digit falls. Elsewhere, Independent Investment came back 6 to 192p following the setback in Systems Designers (SD); the trust holds 7m shares, around 5 per cent, of SD but these were purchased some five years ago at a cost of 8p per share.

International City's preliminary profits were tinged with disappointment and the price fluctuated between 178p and 170p before ending a net 2 down at 173p. Smith New Court, up 4 further at 170p, continued to reflect hopes that the financial services group would obtain a larger market share after Big Bang Day. Yule Catto were raised 6 to 226p. Recently-subdued Exco burst forth late, gaining 8 to 248p.

IC Gas up again

Having risen 38 to 553p on Tuesday following the 530p per share bid from Gulf Resources, IC Gas advanced 18 more to 571p on speculation that Belgian energy group Petrofina may still—despite a denial—enter the bidding for the company.

OPEC's decision to extend the present quotas structure until the end of the year failed to excite the oil majors which traded quietly around overnight levels. Elsewhere, Conroy Petroleum enjoyed an active session and after an early bout of profit-taking which saw the price down to 253p, rebounded to close a net 15 up on the day at 278p. Eglinton added a penny to 13p following news of a joint US drilling venture.

Takeover speculation and revived talk of possible stake-building attracted investors to Overseas Traders. Harrisons and Crosfield figured prominently and rose 21 to 426, while Inchcape advanced 8 more to 483p with buyers still hoping for a Far Eastern bid. James Finlay came to life and closed 3 up at 85p.

International investors continued to shy away from South African mining markets. The continued absence of US institutional interest—political considerations have reportedly prompted computer group Honeywell to join compatriots General Motors and IBM in withdrawing from the Republic—was mirrored by both London and the Continent.

As on Monday and Tuesday, professional short covering stimulated early strength among heavyweight Golds. Lack of follow-through support, however, saw most counters subsequently drift lower throughout and the FT Gold Mines index fell 3.9 to 286.6.

Bullion, fractionally firmer at the morning fixing, gave ground during the afternoon to close $1.25 lower on balance at $423.75 an ounce. Losses among top-quality Golds were restricted to under a point with Randfontein finally ⅜ off at £61¼ and Vaal Reefs ¾ down at £53¾. Freegold fell 20 to 746p.

Platinum also traded within narrow limits before being quoted at $596 at the afternoon fixing. Impala and Rustenburg eased 20 apiece to the common level of 720p.

Financial continued to reflect Golds. Gold Fields fell a half-point to £19⅞, while Gold Fields of South Africa dipped 37 to 834p. Lower values also prevailed among London-domiciled Financials, Consolidated Gold Fields 664p and RTZ, 658, easing 8 and 5 respectively.

Australians were subdued. A nervous performance by the domestic dollar and feelings that overseas investors were satiated with "down-under" mining stocks at present resulted in modest losses in Sydney and Melbourne. London displayed little inclination to waver from the trend and CRA fell 9 to 350p, while MIM, buoyed on Tesuday by news of the prospective flotation of its stake in the Porgera gold deposit in Papua New Guiea, declired 6 to 113p.

Traded Options

The expiry of the October series gave the usual boost to Traded Option actvity. Total contracts struck mounted to 31,699 - 21,351 calls and 10,348 puts. Of the expiring classes, TSB attracted a lively 4,012 calls and 1,689 puts, while ICI and Consolidated Gold Fields recorded 1,018 and 1,071 calls respectively. Elsewhere, Hanson Trust returned to favour with 2,123 calls and 612 puts transacted, while an active and evenly-balanced business developed in British Telecom which contributed 1,332 calls and 1,126 puts.

Traditional Options

- **First dealings** Oct 20 Nov 3 Nov 17
- **Last dealings** Oct 31 Nov 14 Nov 28
- **Last declaration** Jan 22 Feb 5 Feb 19
- **For Settlement** Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Money was given for the call of London and Northern, Lysander Petroleum, Febel International, Mitchell Somers, Hilldsdown, Briden, North Kalgurli, Hughes Food, F. J. C. Lilley, Wellcome, Courey, TSB, Hanson Trust, TI, Amstrad, British Vita, Benjamin Priest, Wiggins, County Properties, Abaco, Ultramar and Greenwich Resources. A put was done in S. R. Gent, but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 22	Oct. 21	Oct. 20	Oct. 17	Oct. 16	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.89	82.56	82.26	84.36	82.77	84.47	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.02	88.94	88.89	88.84	90.38	90.38	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,262.4	1,265.2	1,264.4	1,281.5	1,277.6	3,051.3	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	286.6	290.5	288.9	298.2	306.3	250.2	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.41	4.40	4.40	4.35	4.37	4.59				
Earnings Yld.%(full)	10.15	10.11	10.13	10.02	10.04	11.24				
P/E Ratio (net) (*)	12.08	12.12	12.10	10.02	10.04	10.98				
Total Bargains (Est)	25,500	25,235	25,960	28,380	28,439	23,142				
Equity Turnover £m.	—	531.51	675.89	822.97	619.59	416.2				
Equity Bargains	—	38,732	44,253	49,091	41,376	21,837				
Shares Traded (ml).	—	284.9	381.53	476.8	318.2	202.1				

S.E. ACTIVITY

Indices	Oct. 21	Oct. 20
Gilt Edged Bargains	111.9	109.1
Equity Bargains	251.0	286.7
Equity Value	1074.3	1366.1
5-Day Average		
Gilt Edged Bargains	120.4	117.4
Equity Bargains	314.3	333.3
Equity Value	1330.1	1300.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1266.7	1270.5	1270.0	1269.3	1268.0	1266.3	1264.9	1263.7

Day's High 1271.1. Day's Low 1262.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.59.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bejam	165	+11	Marks & Spencer	195	−3
Barton	274	−2	Simon Eng	263	+20
GKN	261	+3	Sun Alliance	697	+13
Hawker Siddeley	415	−32	Sunleigh	26	+4½
Jaguar	515	+5	Systems Designers	50	−26
Lilley (F. J. C.)	26	−16	TSB (50p paid)	82	−½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	1	8
Corporations, Dom. and Foreign Bonds	21	1	46
Industrials	250	245	1,026
Financial & Properties	105	93	378
Oils	33	16	63
Plantations	2	2	10
Mines	33	79	71
Others	57	80	67
Totals	604	517	1,669

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (58)

[illegible] Britannia Arrow 9pc, Paramba. OILS (4) Imp Cont. Gas, Do. 8pc Cnv. Uns Ln 1995-2000, Pelm Oil, Premier Cons. OVERSEAS TRADERS (2) Harrisons Crosfield, Inchcape. PLANTATIONS (2) Consolidated Plants., Harrisons Malay. Plants. MINES (2) Renison, Thames Mining.

NEW LOWS

AMERICANS (2) Chase Manhattan, Data General. BANKS (1) MCorp. BUILDING (1) Lilley (F. J. C.). STORES (1) Wiedsmoor. ELECTRICALS (4) CAP, Dataserv Inc., P-E Intl., Systems Designers. ENGINEERING (2) Hawker Siddeley, SPP. FOODS (1) Avana. INDUSTRIALS (3) AGB Research, Brit. Syphon, Neil & Spencer. LEISURE (1) Aspinall. PROPERTY (1) Estates & Agency. SHIPPING (1) Sea Containers. MINES (2) Rand London, Vogels.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday October 22 1986

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues Oct 21 Index No.	Mon Oct 20 Index No.	Fri Oct 17 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Wed Oct 22	Day's change %	Tues Oct 21	xd adj. today	xd adj. 1986 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Wed Oct 22	Tues Oct 21	Year ago (approx.)
[illegible]			

♦Opening index 1595.6; 10 am 1598.3; 11 am 1597.3; Noon 1595.6; 1 pm 1595.0; 2 pm 1593.4; 3 pm 1592.2; 3.30 pm 1591.2; 4 pm 1591.2.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		CALLS Oct.	Jan.	Apr.	PUTS Oct.	Jan.	Apr.
Allied Lyons (*296)	300	1	20	30	8	15	20
	330	0½	8	17	38	43	43
	360	0½	3	8	68	72	73
B.P. (*673)	550	125	145	160	0½	2	5
	600	75	98	115	0½	7	14
	650	25	60	77	0½	20	28
[illegible]							

Option		CALLS Nov.	Feb.	May	PUTS Nov.	Feb.	May
Midland Bk (*527)	500	40	60	72	8	17	18
	550	12	28	42	30	37	42
	600	4	9	17	77	77	80
P. & O. (*503)	460	48	60	—	1½	5	—
	500	20	38	57	11	20	28
	550	4	15	27	50	52	57
[illegible]							

October 22. Total Contracts 31,699. Calls 21,351. Puts 10,348. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Last	Feb. Vol.	Last	May Vol.	Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS: [illegible]

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%
[illegible]			

WORLD STOCK MARKETS

AUSTRIA

Oct. 22	Price Sch	+ or −
[illegible]		

BELGIUM/LUXEMBOURG

Oct. 22	Price Frs.	+ or −
Soc. Gen. Belge	2,975	+5
Sofina	10,850	−50
Solvay	7,910	+30
Stanwick Intl	250	......
Tractionel	6,080	+30
UCB	8,550	+30
Wagons Lits	5,550	+30

DENMARK

Oct. 22	Price Knr %	+ or −
Andelsbanken	335	−2
Baltica Skand	645	−5
Cop Handels'nk	251	−1
D. Sukkerfab	385	+2
Danske Bank	287	−1
De Danske Luft	1,950	−10
East Asiatic	183	−6
Forenede Brygg	1,050	+20
Forenede Damp	194	−1
GNT Hld	359	+12
I.S.S.B.	705	+5
Jyske Bank	465	−10
Novo Inds*	220	−3
Privatbanken	250	−3
Provinsbanken	336	−2
Smidth (F.L.) B	287	−3
Sophus Berend	775	+5
Superfos	145	−2

FRANCE

Oct. 22	Price Frs.	+ or −
Emprunt 4½% 1973	1,700	+30
Emprunt 7% 1973	9,150	−40
Accor	408	+3.5
Air Liquide	724	+5
BIC	585	−5
Bongrain	2,319	+49
Bouygues	1,315	+20
BSN Gervais	4,085	+35
CIT Alcatel	1,840	+30
Carrefour	3,460	+32
Club Mediter'n	556	+23
Cie Bancaire	1,059	+7
Cofimeg	405	+0.5
Damart	2,180	−19
Darty	3,945	+95
Dumez S.A.	1,795	+90
Eaux (Cie Gen)	1,335	+6
Elf Aquitaine	312	......
Essilor	3,140	+190
Gen. Occidentale	1,006	+1
Imetal	85.4	......
Lafarge Coppee	1,265	+5
L'Oreal	3,445	+4
Legrand	4,440	−20
Maisons Phoenix	180	−10
Matra S.A.	2,150	−50
Michelin B	2,349	+9
Midi (Cie)	1,499	+11
Moet Hennessy	2,170	+20
Moulinex	62.5	+2.5
Nord Est	175	+3
Pernod Ricard	982	+20
Perrier	795	+5
Petroles Fra	450	−3.5
Peugeot S.A.	1,077	+15
Printemps (Au)	475	+4
Radio tech	880	+39
Redoute	2,220	+31
Roussel-Uclaf	1,380	−10
Sefimeg	458	+8
Skis Rossignol	1,199	−16
Telemec Elect	2,720	−20
Thomson (CSF)	1,485	......
Valeo	505	+4

GERMANY

Oct. 22	Price Dm.	+ or −
Nixdorf	707	+0.5
Porsche	985	......
Preussag	212	+0.5
Rhein West Elect	214	−1
Rosenthal	402	−5
Schering	598	−4
Siemens	682	−5
Thyssen	153	+3
Varta	375	+6
Veba	281.5	−2.5
V.E.W.	152	+0.8
Verein-West	475	......
Volkswagen	470.5	+10.5

ITALY

Oct. 22	Price Lira	+ or −
Banco Com'le	25,950	......
Bastogi-IRBS	742	−19
Centrale	3,370	......
C.I.R.	8,150	−130
Credito Italiano	3,450	+30
Fiat	15,400	−70
General Assicur	136,299	−1,899
Italcementi	78,100	−400
La Rinascente	1,040	−20
Montedison	2,820	−190
Olivetti	16,000	−400
Pirelli Co	7,600	−250
Pirelli Spa	6,265	−225
Saipem	4,700	−80
Snia BPD	6,230	−220
Toro Assic	36,000	−1,408

NETHERLAND

Oct. 22	Price Fls	+ or −
ACF Holding	60	+1.1
AEGON	88.7	−2.5
Ahold	99.7	−0.6
AKZO	146.2	+0.5
ABN	530	−4.5
AMEV	70.2	−0.3
AMRO	90.2	−0.3
Bredero Cert	103	+7
Bos Kalis Westm	12.5	......
Buehrmann Tet	207.5	+1
Calland Holdings	19.6	......
Dordtsche Pet'm	190	+0.5
Elsevier-NDU	287	+0.2
Fokker	55.7	−2.5
Gist Brocades	44.5	......
Heineken	163.5	−0.5
Hoogovens	60.3	−0.1
Huntr Doug NN	56	−0.5
Int. Mueller	84	+0.5
KLM	45.3	+0.5
KNP	152.5	+1.5
Naarden	90	......
Nat Ned Cert	77.1	−1.4
Ned Mid Bank	202	−4
Nedlloyd	158.5	−2
Oce Grinten	485	−9
Ommeren (Van)	33.7	−1
Pakhoed	54.3	−1.7
Philips	46.6	−0.2
Robeco	89.4	−0.6
Rodamco	135.9	......
Rolinco	80.5	−0.6
Rorento	48.6	......
Royal Dutch	200.4	+0.2
Unilever	459	−1.5
VMF Stork	25.9	+0.1
VNU	318.8	−0.2
Wessanen	75.2	+0.9
West Utr Bank	50	......

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

NORWAY

Oct. 22	Price Kroner	+ or −
Bergens Bank	177	......
Borregaard	355	......
Christiania Bank	203	−2
Den Norske Cred	155.5	−2.5
Elkem	104	−4
Kosmos	146	+3.5
Kvaerner	170	−4
Norcem	121	−1
Norsk Data	216	+0.5
Norsk Hydro	142	......
Storebrand	283.5	−5.5

SPAIN

Oct. 22	Price Pta %	+ or −
Bco Bilbao	1,154	+1
Bco Central	900	−12
Bco Exterior	381	......
Bco Hispano	461	......
Bco Popular	1,210	−12
Bco Santander	859	−1
Bco Vizcaya	1,455	......
Dragados	416	−21
Hidrola	115.7	+0.7
Iberduero	159.5	−3.2
Petroleos	344	−12.2
Telefonica	175	−5

SWEDEN

Oct. 22	Price Kroner	+ or −
AGA	182	......
Alfa-Laval B	292	......
ASEA (Free)	345	......
Astr (Free)	513	−2
Atlas Copco	209	......
BeijerA.B.	188	−1
Cardo (Free)	305	......
Cellulosa	275	......
Electrolux B	310	+1
EricssonB	255	+3
Esselte	153	+1
Mo och Domsjo	266	......
Pharmacia	188	+2
Saab Scania Free	695	......
Sandvik	180	+1
Skandia	133	......
SKF	341	−2
StoraKopparbrg	295	......
Swedish Match	418	+3
Volvo B (Free)	367	......

SWITZERLAND

Oct. 22	Price Frs.	+ or −
Adia Intl	7,550	−75
Alusuisse	610	......
Bank Leu	3,750	−40
Brown Boveri	1,570	+10
Ciba Geigy	3,530	−80
do. (Part Certs)	2,590	−50
Credit Suisse	3,580	−10
Elektrowatt	3,475	......
Fischer (Geo)	1,935	......
Hoff.Roche PtCts	114,000	−2,500
Hoff-Roche 1/10	11,375	−125
Jacobs Suchard	7,950	......
Jelmoli	3,850	+25
Landis & Gyr	1,810	......
Nestle	8,650	......
Oer-Buehrle	1,625	+55
Pirelli	477	+1
Sandoz (Br)	11,700	+50
Sandoz (Pt Cts)	1,890	+20
Schindler (Pt Cts)	580	+20
Sika	1,800	......
Surveillance A	7,800	+50
Swissair	1,295	−15
Swiss Bank	526	−3
Swiss Reinsce	17,350	+175
Swiss Volksbk	2,610	−20
Union Bank	5,810	−40
Winterthur Inh	6,875	−25
Zurich Ins	7,850	−25

AUSTRALIA

Oct. 22	Price Aust. $	+ or −
ACI Intl	3.78	+0.02
Adelaide Steams	13.7	−0.3
Amcor	3.98	+0.08
ANZ Group	5.56	−0.12
Ampol Pet	2.6	......
Ashton	2.38	−0.02
Aust. Guarantee	3.25	−0.05
Aust. Nat. Inds	2.92	+0.02
Bell Group	9.9	......
Bell Res	4.2	−0.02
Bond Corp Hldgs	2.9	−0.02
Boral	4.35	+0.08
Bougainville	3.1	−0.15
Brambles Inds	7.40	−0.05
Bridge Oil	0.82	−0.01
B. H. Prop	8.50	+0.02
Burns Philp	8.1	−0.1
CRA	7.9	−0.2
CSR	3.1	......
Chase Corp	5.6	+0.4
Claremont Pet	0.98	+0.05
Coles-Myer	5.50	+0.04
Comalco 'A'	2.45	+0.01
Consolidated Pet	0.24	......
Costain Aust	3.05	......
Elders IXL	5.04	−0.04
Energ Res	1.6	......

AUSTRALIA (continued)

Oct. 22	Price Aust. $	+ or −
[illegible]		

HONG KONG

Oct. 21	Price H.K.$	+ or −
[illegible]		

JAPAN

Oct. 22	Price Yen	+ or −
[illegible]		

JAPAN (continued)

Oct. 22	Price Yen	+ or −
[illegible]		

SINGAPORE

Oct. 22	Price $	+ or −
[illegible]		

SOUTH AFRICA

Oct. 22	Price Rand	+ or −
[illegible]		

CANADA

TORONTO

Closing prices October 22

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL

Closing prices October 22

Sales	Stock	High	Low	Close	Chng
[illegible]					

Total Sales 4,070,186 shares

Indices

NEW YORK

[illegible]

TORONTO	Oct 22	Oct 21	Oct 20	Oct 17	1986 High	1986 Low
Metals & Minls	2,113.88	2,115.9	2,138.7	2,135.22	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,021.80	3,016.5	3,023.1	3,048.86	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,527.48	1,525.2	1,528.34	1,540.89	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

** Saturday October 18: Japan Nikkei (c). TSE (c).

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 41

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Tr. 12½% 03/05	£114⅞	+9/16
Acsis Jewel	18	+ 3
Bejam	165	+11
Brammer	271	+20
Conroy Pet	278	+15
Cultus Res	31	+14
Foseco Minsep	258	+23
Grosvenor	135	+10
Harrisons & Cros.	426	+21
Imp.Cont.Gas	571	+18
Inchcape	483	+ 8
Jaguar	515	+ 7
Lamont	181	+ 5
Lilleshall	170	+15
Lon.Shop Prop.	180	+ 7
Renison	391	+27
Simon Engineer.	263	+20
Stocklake	241	+ 8
Sunleigh Elect.	26	+ 4½
Suter	222	+12
TVS N/V	258	+18
Wassal (J.W.)	78	+16

FALLS

Dawson Intl.	232	− 6
Grand Met	435	−11
Hawker Sidd	415	−32
Independent Invs.	192	− 6
Lilley (F.J.C.)	26	−16
Logica	199	− 8
Norton Opax	135	− 5
Systems Design.	50	−26

N. AMERICAN QUARTERLY RESULTS

Continued from Page 20

ELI LILLEY
Pharmaceuticals

Third quarter	1986 $	1985 $
Revenue	853.4m	787.9m
Net profits	135.6m	122.1m
Net per share	0.97	0.88
Nine months		
Revenue	2.75bn	2.45bn
Net profits	433.9m	393.1m
Net per share	3.11	2.8

FIRST INTERSTATE BANCORP
Bank

Third quarter	1986 $	1985 $
Revenue	—	—
Net profits	85.35m	80.05m
Net per share	1.89	1.75
Nine months		
Revenue	—	—
Net profits	253.1m	228.3m
Net per share	5.40	4.99

HOME FEDERAL S & L
Mortgages

Third quarter	1986 $	1985 $
Revenue	—	—
Net profits	26.6m	1.44m
Net per share	1.25	0.07
Nine months		
Revenue	—	—
Net profits	75.7m	42.8m
Net per share	3.56	2.06

INGERSOLL-RAND
Air compressors

Third quarter	1986 $	1985 $
Revenue	644.8m	612.2m
Net profits	17.9m	16.6m
Net per share	0.84	0.78
Nine months		
Revenue	2.03bn	1.91bn
Net profits	51.9m	47.5m
Net per share	2.44	2.22

JIM WALTER CORP
Building materials, homes

Fourth quarter	1985-86 $	1984-85 $
Revenue	662.3m	627.9m
Net profits	50.0m	38.4m
Net per share	1.60	1.40
Year		
Revenue	2.37bn	2.29bn
Net profits	138.6m	111.7m
Net per share	4.64	4.09

KIMBERLY-CLARK
Personal care products

Third quarter	1986 $	1985 $
Revenue	1.1bn	1.0bn
Net profits	63.0m	62.3m
Net per share	1.37	1.36
Nine months		
Revenue	3.2bn	3.0bn
Net profits	205.1m	213.5m
Net per share	4.47	4.67

MACMILLAN
Publisher

Third quarter	1986 $	1985 $
Revenue	271.7m	236.5m
Net profits	32.9m	27.4m
Net per share	1.43	1.23
Nine months		
Revenue	600.7m	499.6m
Net profits	44.5m	33.6m
Net per share	1.94	1.55

MARTIN MARIETTA
Defence, electronics

Third quarter	1986 $	1985 $
Revenue	1.17bn	1.09bn
Net profits	51.0m	49.7m
Net per share	0.92	0.84
Nine months		
Revenue	3.46bn	3.20bn
Net profits	152.3m	199.5m
Net per share	2.76	3.47

* Includes asset sales gains of $0.32 cents

SCIENTIFIC-ATLANTA
Communications

First quarter	1986 $	1985 $
Revenue	107.6m	105m
Net profits	3.8m	3.2m
Net per share	0.16	0.14

SCOTT PAPER
Paper tissues, napkins and towels

Third quarter	1986 $	1985 $
Revenue		785.6m
Net profits	819.7m	56.3m
Net per share	38.2m	1.25
	1.02	
Nine months		
Revenue	2.5bn	2.2bn
Net profits	133.6m	151.5m
Net per share	3.56	3.21

SMITHKLINE BECKMAN
Drugs, instruments

Third quarter	1986 $	1985 $
Revenue	955.4m	820.7m
Net profits	134.0m	131.6m
Net per share	1.74	1.69
Nine months		
Revenue	2.7bn	2.36bn
Net profits	373.7m	384.6m
Net per share	4.84	4.89

STERLING DRUG
Pharmaceuticals

Third quarter	1986 $	1985 $
Revenue	587.7m	463.1m
Op. net profits	51.3m	45.1m
Net per share	0.87	0.75
Nine months		
Revenue	1.47bn	1.29bn
Op. net profits	123.2m	110.2m
Net per share	2.09	1.83

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	14⅞	PeopEn 1.32		6.0	9	260	22	21¾	22	+¼
48¾	23⅜	PepBoy .22		.5	33	933	45⅛	43⅞	44⅝	+½
35⅝	20⅝	PepsiCo .64		2.3	16	7400	27⅝	26⅞	27¼	+¼
13⅝	12½	PerkF n				198	12¾	12½	12⅝	+⅛
38⅞	23	PerkEl .60		2.3	17	311	26¾	26½	26⅝	−⅛
8¾	5¾	Prmian.79e		12.	6	106	6½	6⅜	6⅜	
20⅞	12⅞	PeryDr .22		1.6	17	84	14	13⅝	13⅞	
35¾	21¼	Petrie s .70		2.6	15	122	27¼	26¾	26¾	−⅝
31⅛	22¾	PetRs 3.51e		11.		92	30⅞	30½	30⅞	
19⅞	16	PetRs pf1.57		7.9		68	u20	19½	20	+¼
3⅝	1⅞	Ptrinv .45e		23.		11	2	2	2	+⅛
72⅞	44½	Pfizer 1.64		2.8	15	2713	59⅝	58⅝	58⅝	−½
32½	16	PhelpD			37	1169	22	21½	21⅝	−⅝
63	48¾	Phelp pr 5		9.5		113	52¾	52½	52¾	
24	14⅞	PhilaEl 2.20		10.	8	2610	22⅛	21⅞	22	
42	28	PhlE pf3.80		9.8		z50	38¾	38¾	38¾	
46	31	PhlE pf4.30		9.3		z1120	46	45	46	+1
74	53	PhlE pf 7		9.7		z200	72½	72½	72½	+½
92½	64	PhlE pf8.75		10.		z330	87¼	86⅛	87¼	+1⅛
13⅞	10½	PhlE pf1.41		11.		85	13	12¾	12¾	−¼
13⅛	9¾	PhlE pf1.33		11.		60	12⅝	12⅛	12⅛	−¼
83¼	32	PhlE pf7.85		9.9		z1300	79½	79	79	−½
12⅞	9⅝	PhlE pf1.28		11.		68	12⅜	12⅛	12⅛	
134¼	119	PhlE pf17.13		13.		z310	128	126	128	+2
124	105⅜	PhlE pf15.25		13.		z50	116	116	116	
99	69	PhlE pf9.50		10.		z100	94½	94½	94½	+½
83½	57½	PhlE pf7.80		9.8		z150	80¼	79¼	79¼	−¼
80	55	PhlE pf7.75		10.		z260	77	75¾	77	
18⅝	12⅝	PhilSb s .94		5.3		74	18⅛	17½	17¾	−⅛
78	36⅞	PhilMr s2.30		3.3	12	3125	71¼	70¼	70⅝	
19	9⅞	Philpl s .36		2.5	12	1224	14⅝	13⅞	14	
[illegible]										
39⅝	26¼	SFeSoP 1		3.3	20	3199	30⅝	29⅞	30¼	+⅛
73⅝	44¾	SaraLe 1.60		2.5	18	332	64⅞	64⅛	64⅞	+¾
42¼	33⅝	SgtWel 1.60		3.8	17	13	42	42	42	
22¼	8⅞	SavEP s .88		4.3	13	103	20⅝	20¼	20⅝	
14½	11	SavE pf1.28		9.4		18	13⅝	13½	13⅝	
5⅞	1⅞	Savin				54	2	1⅞	2	
8⅞	3¼	Savin pf				4	3⅜	3¼	3¼	
42⅞	24½	SCANA 2.24		6.0	13	263	37½	36⅞	37½	−⅜
88	49⅞	SchrPlo1.80		2.2	21	1723	81	79⅝	80⅞	+⅜
37¾	27¼	Schlmb 1.20		3.7	214	6218	32¾	31½	32⅛	−⅝
14¾	8½	SciAtl .12		1.2		211	8⅝	8⅜	8⅝	
65⅞	41¾	ScottP 1.36		2.2	12	569	63⅞	62½	63	+¼
[illegible]										
19	14¼	TwinDs .70		4.6		55	15⅜	15¼	15¼	−¼
37¾	19	TycoL s .40		1.1	18	671	37	35⅝	37	+1⅜
17¾	11¼	Tyler .40		3.3	17	260	12	11⅝	12	+¼
U U U										
64¾	45	UAL 1		1.7		1410	57¾	57	57¼	−⅜
25¾	13¼	UCCEL			24	287	u26	25¼	25¾	
26¾	14⅞	UDC s 2		8.9	5	388	22½	22	22⅜	+⅜
28¼	20	UGI 2.04		7.7		88	26⅝	26¼	26½	+¼
13¾	8	UNCInc			12	314	10¼	9¾	9⅞	−⅜
18⅜	10⅞	URS .25r		1.6		315	17	16	17	+1⅛
46⅞	34⅝	USFG 2.32		6.1	30	1022	38⅞	38	38⅛	−½
[illegible]										
51	29⅝	Wrigly s .96		2.1	20	54	45⅝	44¾	45⅜	+¾
4⅛	1⅝	Wurlitzr				81	2¼	2	2¼	+¼
17½	10½	WyleLb .32		2.8	27	142	11½	11¼	11¼	−¼
25¾	15	Wynns .60		2.6		113	23	22¼	22¾	+½
X Y Z										
72¼	47⅝	Xerox 3		5.5	17	1302	54¼	53	54¼	+¾
58¾	54	Xerox pf5.45		9.6		9	56½	56½	56½	
26¾	20⅝	XTRA .64		2.8		69	23⅜	23⅛	23¼	
18¾	13½	Yorkin n				71	18½	18⅛	18¼	−⅛
39	27	ZaleCp 1.40		4.4		1048	32¾	32	32	−1
9½	2⅜	Zapata .03j				474	2¾	2½	2¾	+⅛
43⅞	20¾	Zayre s .32		1.3	16	3749	24¼	22¾	23¾	+1
29⅞	16¼	ZenithE				813	19⅛	18⅞	19	+⅛
18¼	8	ZenLb s			12	784	9⅛	8⅞	8⅞	−¼
22⅝	12⅜	Zero s .29		2.0	15	59	14⅞	14¾	14¾	−⅛
45¾	32¾	Zurnin 1.32		3.5	15	32	37¾	37½	37½	
10⅝	10	Zweig n				836	10⅛ d	9⅞	10⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
GNP data fail to cast gloom

RECOVERING from early setbacks prompted by the third-quarter gross national product figures, bond and stock prices posted modest gains on Wall Street yesterday, *writes Roderick Oram in New York.*

While GNP growth figures were in line with expectations, the price deflator was higher, indicating a faster rate of inflation. Bond prices fell by up to ⅜ of a point before bouncing back, stocks followed the same pattern.

The Dow Jones industrial average closed up 2.67 to 1,808.35. The New York Stock Exchange composite index edged ahead 0.19 of a point to 136.18 on trading of 114.58m shares compared with 110m on Tuesday. Advancing issues outnumbered declining by 769 to 722.

Share trading was light and featureless as prices moved mostly on news of third-quarter earnings and takeover speculation.

Among the blue chips, American Express was up $½ to $57¼, AT&T was off $⅛ at $23¾, General Electric rose $⅛ to $76¼, Merck was ahead $⅞ to $107⅞ and Westinghouse rose $⅞ to $55⅞.

General Motors, which reported a third quarter profit of 56 cents a share against $1.53 a year earlier, close to expectations. Its shares rose $⅞ to $68⅞.

The third most active issue of the day, with 1.9m shares traded, was National Westminster Bank. It issued 7m American Depository Receipts with the price unchanged by the close at $21⅝.

Wang Laboratories fell $⅞ to $10⅞ after reporting a loss for the quarter. While Wang and IBM, off $1⅛ at $120¼, have reported poorer performances other computer makers such as Digital, up $1½ to $96⅞, and Burroughs, up $¾ to $71⅞, have recently reported higher earnings.

Honeywell, which is joining IBM and General Motors in an exodus from South Africa, slipped $⅞ to $67⅞.

High trading volume and market volatility in the securities industry boosted third-quarter earnings at Morgan Stanley and Salomon Inc. although the overall result at the latter was dragged down by the poor performance of its commodities division. Morgan's share price, however, fell $1⅞ to $68⅞ while Salomon's slipped $⅛ to $38⅞.

Among other brokerage house stocks, Merrill Lynch rose $1⅞ to $40⅞ and E. F. Hutton was unchanged at $46 both on renewed speculation that they are takeover targets.

United Technologies fell $1⅞ to $40 after analysts lowered earnings forecasts. The company reported lower third-quarter earnings on Tuesday.

Companies reporting higher third quarter earnings included Colgate-Palmolive, up $½ to $38¾, Penn Central, ahead $⅞ to $58½, Pitney Bowes, unchanged at $64¼, and Union Pacific, up $⅞ to $59½. U.S.

In the takeover arena, USX slipped $¼ to $26⅞. It announced it had held talks with Mr Carl Icahn, the corporate raider who has made a $31 a share offer.

Goodyear was the most active stock with 2.8m shares traded on the NYSE. It rose $⅞ ot $42⅞ on speculation it was a takeover target.

Bond markets fell after the release of the third quarter gross national product figure but recovered their losses by late morning.

Although the 2.4 per cent real annual rate of growth was in line with forecasts, the price deflator of 3.6 per cent was higher, raising fears of a faster rate of inflation.

After losing ⅜ of a point shortly after the opening, the price of the 7.25 per cent benchmark Treasury bond due 2016 recovered to close at 93⅞ up 1/32 of a point on the day, to yield 7.77 per cent.

Three-month Treasury bill yields slipped 2 basis points to 5.29 per cent, six-month yields fell 7 basis points to 5.34 per cent and year yields fell 4 basis points to 5.48 per cent.

The Federal Reserve Board did system repurchases when the Fed funds rate stood at 5 15/16. The rate closed at 6½ per cent.

The average yield on the Treasury's $10.39bn of two-year notes at yesterday's auction was 6.39 per cent, down from 6.44 per cent at the previous auction on September 23 and the lowest since 6.21 per cent on August 20.

With the release of the GNP figures, markets turn their attention to the release of other data today. September's consumer price index is expected to be up some 0.4 per cent from August while durable goods orders could show a gain of 1.5 per cent to 2 per cent after August's 3.1 per cent contraction.

Hong Kong stock market was closed due to the visit by Queen Elizabeth II.

LONDON

INITIAL OPTIMISM in London over the Opec agreement on production quotas faded away as the session progressed. Oils set the trend for equities ... by discounting the Opec ... and soon reversing early gains.

Gilts began on a note of ... were showing gains ranging ... point at midday. A sluggish performance by sterling then introduced doubts, which increased on initial reports of US GNP and nervousness regarding inflation. Net gains of ⅜ point were recorded at the longer end.

Holding back the major indices was a sharp fall in Hawker Siddeley, down 32p to 415p after a disappointing set of interim figures. The FT ordinary index fell 2.8 to 1262.4, while the broader-based FT-SE 100 index lost 1.6 to 1589.6.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36, 37

AUSTRALIA

A RETREATING resource sector was offset by selective buying among leading industrials in Sydney where the market stayed near record levels. The All Ordinaries index ended 0.2 lower at 1,372.4, but some issues did manage to advance to new 1986 highs.

Golds found strong early support but this eased later as investors switched their attention to blue-chip leaders, including media, food and insurers.

Oils attracted renewed interest on suggestions that Opec had reached a production quotas accord. Among industrials the stronger currency and an expected easing of interest rates helped bolster demand for most leading issues. BHP gained 2 cents to A$8.60. Large trading banks continued to lose ground.

Among issues reaching new highs were diversified industrial Boral, up 9 cents to A$4.35; energy group Hartogen, 5 cents higher at A$2.45 and property group Lend Lease, which gained 10 cents to A$10.20. Media issue News Corp rose 6 cents to A$36.60, while gold group Placer Pacific put on 13 cents to A$3.18.

SINGAPORE

A FIRMER trend across the board reversed the fall in Singapore, but trading was thin amid the buying and short covering. Small investors dominated activity, but some operators remained cautious ahead of tomorrow's Malaysian budget.

The Straits Times industrial index rose 7.13 to close at 895.12.

Turnover declined to 20.7m shares and Selangor Properties, the most active again traded 1.8m shares. It closed 1 cent higher at S$1.29.

SOUTH AFRICA

MINIMAL interest led gold shares to close mixed in Johannesburg with no clear sense of direction despite a steady bullion price. A weaker financial rand appeared to have little impact. Industrials also closed mixed.

Vaal Reefs closed up R5 at R387, while Randfontein gained R5, taking it to R435. E. T. Cons lost R1 to R78 and Beatrix 30 cents at R15.80.

CANADA

MOST MAJOR share groups turned higher in Toronto with industrials showing the largest improvement.

Oils reacted mildly to an Opec accord to extend production restraints through November and December. Imperial Oil A rose C$⅛ to trade at C$44⅞ while Gulf Canada gained C$⅛ to C$14⅞. Dome Petroleum put on 4 cents to C$1.19.

Montreal was slightly lower.

TOKYO
Further fall breaches 16,000 level

CONTINUED small-lot selling of large-capital stocks drove the Nikkei average below 16,000 in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The average slid 386.22 to end at 15,819.55 – after plunging 568 points at one stage – the eighth consecutive daily decline. This represented a 17 per cent drop from the 18,936.24 peak of August 20. Turnover remained modest at 395m shares, although it was heavier than Tuesday's 361m shares. Losses outpaced advances by 592 to 197, with 143 issues unchanged.

The average gained 115 points from the previous day in the morning, helped by easier restrictions on margin trading and around Y10bn worth of buy-orders for about 200 issues by Nikko Securities Investment Trust Management, which had established a Y100bn investment trust fund.

But almost all stocks lost ground after the buying had run its course, with light selling prompting more sell-orders. Near the close, a wide range of equities strengthened on small-lot buying by dealers after Tokyo Electric Power and Tokyo Gas – August market leaders – had suffered maximum daily losses.

These two issues, along with steels and shipbuildings, were popular in August and late September, especially among institutional investors and corporations. In particular, Tokyo Electric Power had soared on investor interest in its gains from the strong yen, declining crude oil prices and lower interest rates.

In yesterday's trading, the utility ended Y740 down at Y6,180 after plunging a maximum Y1,000 at one stage to Y5,920, a 28.6 per cent decline from its all-time high of Y8,290 on October 1.

Ishikawajima-Harima Heavy Industries headed the active list, with 23.72m shares traded, and shed Y56 to Y407. Nippon Kokan, second busiest with 21.04m shares, slumped Y27 to Y210.

Budget-influenced and property stocks also fell sharply, with Taisei Corp, sliding Y55 to Y720, Ohbayashi Corp. Y48 to Y740 and Mitsubishi Estates Y110 to Y1,990.

Blue-chip stocks lost strength on late selling after a moderate rally early due to buying by investment trusts. Canon weakened Y20 to Y1,070, Fujitsu Y17 to Y980 and Ricoh Y19 to Y900.

With the market recouping some ground in late trading, a number of participants began to expect an imminent rally. But others remained cautious, because yesterday's plunge had put margin buyers in a particularly difficult position.

Bonds closed sharply lower on heavy selling by dealers, triggered by the slower than expected recovery.

The yield on benchmark 6.2 per cent Government bond due in July 1995 tumbled from 5.015 to 4.975 per cent in the morning, reflecting an overnight rally in US 30-year Treasury bonds. But it rose steeply later, ending at 5.150 per cent.

EUROPE
Cautious sentiment resurfaces

THE CAUTIOUS MOOD on the European bourses continued yesterday with many investors reluctant to take positions, thus keeping trading volume at low levels.

Frankfurt failed to extend a strong start as foreign profit-takers moved in. The Commerzbank index midsession calculation fell 12.6 to 1,938.4 after a 16.1 gain on Tuesday.

Banks remained under pressure from the Neue Heimat saga. Deutsche Bank, the largest "universal" bank, retreated DM 9.50 to DM 762, while Dresdner suffered a proportionately more damaging DM 5.50 drop to DM 382.50.

Insurer Allianz dropped DM 65 to DM 2,070 after a DM 20 gain on Tuesday.

Among leading carmakers, Daimler lost DM 7 to DM 1,209 and BMW reversed the largely steady performance of the previous session with a relatively large DM 8.50 fall to DM 584. VW inched 50 pfg higher to DM 470.50 after saying that it would not offer Chrysler Corp car production facilities at its US plant.

Chemicals weakened with Bayer leading the way with its DM 2.40 drop to DM 285.10, followed by Hoechst, DM 1.30 cheaper at DM 252.20, although BASF curtailed its loss to 20 pfg at DM 263.60.

Among utilities, Veba retreated DM 2.50 to DM 281.50. Electricals were mixed with AEG continuing to gain ground with a DM 3 advance to DM 314 as Siemens shed DM 5 to DM 682.

Leading retailers were in the spotlight again as Kaufhof failed to recover its poise. It dropped a further DM 5.00 to DM 514, a decline of DM 11 so far this week.

The bond market reacted quietly to the US third-quarter GNP data by extending early falls of around 10 basis points to a total of 20 basis points. The Bundesbank market balancing intervention was curtailed slightly with sales of DM 114.5m of domestic paper compared with sales of DM 119.9m on Tuesday. The average yield on public authority paper slipped back to 6.00 per cent from the previous session's 6.01 per cent.

Amsterdam was quietly lower despite the firmer opening on Wall Street. The softer tone was attributed to the slightly weaker dollar. Volume remained thin. Internationals continued mixed with Royal Dutch gaining 20 cents to Fl 200.40 on Opec oil accord hopes, while Unilever dipped Fl 1.50 to Fl 469.

Stockholm lacked a clear trend with many institutions on the sidelines, but the Veckans Affarer all-share index closed steady on a marginal rise to 895. Skandia International led the actives, rising SKr 4 to SKr 133 ahead of its interim report. Ericsson was also actively traded, partly due to technical factors, gaining SKr 3 to close at SKr 255.

Milan closed generally lower in moderate trading that was largely confined to major industrials, insurers and selected banks.

De Benedetti and Ferruzzi group companies moved against the trend and closed higher, although Olivetti lost L400 to L16,000.

The market weakness was attributed to a retreat by speculators, and this was particularly evident with Montedison.

Paris was broadly higher but dogged by thin trading again. Sporadic bargain hunting after last week's fall was detected.

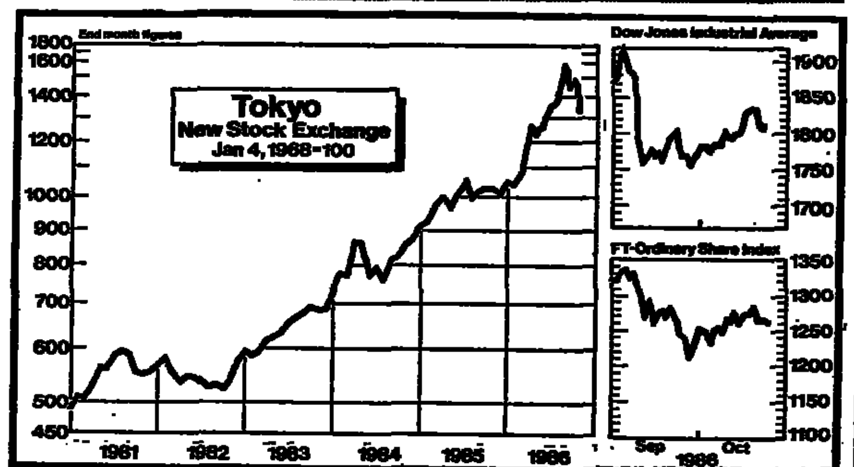
L'Air Liquide gained FFr 5 to FFr 724 following the completion of its large US takeover while Bouygues added FFr 20 to FFr 1,315 after the construction group's purchase of a leading Paris department store.

Brussels closed mixed in moderate trading with many investors still anxious over the outcome of the Government's language policy dispute. The Belgian Stock Exchange index slipped 5.79 to 3,818.64.

Zurich steadied after a weak opening. Some selling pressure was noticed among leading blue chips.

Madrid was sharply lower on concern over surging inflation and hefty profit-taking among construction issues.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 22	Previous	Year ago
NEW YORK			
DJ Industrials	1,808.35	1,805.68	1,364.38
DJ Transport	818.75	817.63	682.22
DJ Utilities	199.56	199.68	158.24
S&P Composite	236.26	235.88	188.04
LONDON			
FT Ord	1,262.4	1,265.2	1,051.3
FT-SE 100	1,589.6	1,591.2	1,331.5
FT-A All-share	789.16	789.42	n/a
FT-A 500	861.83	862.91	n/a
FT Gold mines	288.6	290.5	250.2
FT-A Long gilt	n/a	10.53	n/a
TOKYO			
Nikkei	15,819.55	16,205.77	13,001.7
Tokyo SE	1,320.19	1,357.87	1,030.68
AUSTRALIA			
All Ord.	1,372.4	1,372.1	1,042.4
Metals & Mins.	710.3	719.7	529.4
AUSTRIA			
Credit Aktien	232.22	230.27	199.29
BELGIUM			
Belgian SE	3,818.64	3,824.34	2,715.60
CANADA			
Toronto			
Metals & Mins	2,113.80	2,115.80	1,815
Composite	3,021.60	3,015.90	2,648.1
Montreal			
Portfolio	1,527.19	1,525.21	128.27
DENMARK			
SE	198.44	198.23	233.66
FRANCE			
CAC Gen	370.60	368.50	211.2
Ind. Tendance	142.70	141.40	78.8
WEST GERMANY			
FAZ-Aktien	649.04	652.47	567.24
Commerzbank	1,938.40	1,951.00	1,674.4
HONG KONG			
Hang Seng	closed	2,238.29	1,666.06
ITALY			
Banca Comm.	770.99	777.22	397.75
NETHERLANDS			
ANP-CBS Gen	270.90	272.00	218.5
ANP-CBS Ind	270.10	271.40	194.2
NORWAY			
Oslo SE	369.69	371.44	373.93
SINGAPORE			
Straits Times	895.12	887.99	770.86
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,923.0	1,107.7
JSE Industrials	—	1,378.0	969.8
SPAIN			
Madrid SE	192.28	195.18	92.56
SWEDEN			
J & P	2,486.09	2,477.67	1,404.19
SWITZERLAND			
Swiss Bank Ind	558.80	560.30	496.0
WORLD	Oct 21	Previous	Year ago
MS Capital Int'l	335.1	337.9	228.9

COMMODITIES

(London)	Oct 22	Prev
Silver (spot fixing)	405.60p	403.40p
Copper (cash)	£926.50	£927.50
Coffee (Nov)	£2,237.50	£2,227.50
Oil (Brent blend)	$14.20	$14.40

GOLD (per ounce)

	Oct 22	Prev
London	$423.75	$425.25
Zürich	$424.25	$425.05
Paris (fixing)	$426.62	$425.25
Luxembourg	$426.80	$426.80
New York (Dec)	$429.70	$427.80

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR Oct 22	US DOLLAR Previous	STERLING Oct 22	STERLING Previous
£	–	–	1.4320	1.4365
DM	1.9845	1.9880	2.8400	2.8550
Yen	155.80	155.15	223.00	222.75
FFr	6.500	6.5100	9.3050	9.3525
SFr	1.6300	1.6295	2.3300	2.3400
Guilder	2.2430	2.2465	3.2100	3.2275
Lira	1,373	1,376.5	1,965.5	1,977.5
BFr	41.30	41.30	59.05	59.35
C$	1.38975	1.3915	1.9910	1.9985

INTEREST RATES

	Oct 22	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11⅛
SFr	4⅛	4⅛
DM	4⅝	4⅝
FFr	8⅝	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5 15/16*	5⅞
US 3-month CDs	5.75*	5.975
US 3-month T-bills	5.30*	5.46

US BONDS

Treasury		October 22* Price	Yield	Prev Price	Yield
6⅞	1988	100⅛	6.355	100⅛	6.355
7¼	1993	99⅞	7.279	99⅞	7.327
7¼	1996	99⅞	7.485	98⅞	7.536
7¼	2016	94⅞	7.755	93⅞	7.826

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Day's change	Oct 22* Yield	Day's change
1–30	156.14	+0.33	7.15	–0.03
1–10	149.70	+0.18	6.81	–0.03
1–3	140.70	+0.05	6.36	–0.01
3–5	152.42	+0.13	6.98	–0.02
15–30	179.33	+0.89	8.31	–0.05

Source: Merrill Lynch

Corporate	October 22* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91.998	6.35	91.68	6.45
SCBT South Central				
10⅞ Jan 1993	106⅞	8.421	105⅞	8.421
Phibro-Sal				
8 April 1996	97⅞	8.427	97⅞	8.427
TRW				
8⅞ March 1996	101⅞	8.550	101⅞	8.491
Arco				
9⅞ March 2016	104⅞	9.394	104⅞	9.418
General Motors				
8⅞ April 2016	88⅞	9.187	88⅞	9.242
Citicorp				
9⅞ March 2016	96⅞	9.749	95⅞	9.816

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	95-04	95-05	93-28	94-22
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.74	94.75	94.66	94.71
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	93.73
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.94	93.95	93.80	93.92
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110-13	111-00	110-10	110-11

* Latest available figures

FINANCIAL TIMES SURVEY

Arab Banking

Bad debts have forced the banks to reschedule loans and in some cases to sue defaulters. By the end of next year, however, the problems caused by the recession will have worked their way through the system.

Banks pay for lax lending policy

By Michael Field

THE BANKS and trading houses of the Gulf are hoping that they are getting near the bottom of the very painful recession that has been caused by the collapse of oil production and prices in the past three years.

Recessions affecting oil producers in the Arabian Peninsula happen more suddenly and bite more deeply than they do in industrialised countries. The oil state economies traditionally have been driven by government construction contracts and if government revenues fall the flow of contract payments dries up quickly.

One finds markets—in building materials, construction equipment and vehicles—where demand can fall by 30 per cent in two months. There are many companies in importing, real estate and contracting which now have revenues 80 per cent below what they were in the early 1980s.

For the banks, the recession has meant a spate of bad debts. At the end of last year they made substantial provisions, but in the region as a whole they still have about 25 per cent of their loans that are not performing, in the sense that either interest or principal are not being paid on schedule.

The recession has been accentuated in Kuwait by the aftermath of the crash of the unofficial stock exchange, the Souk al Manakh, in 1982. In Saudi Arabia and Abu Dhabi the banks' position is complicated by difficulties over interest, which in Shariah (Quaranic) law is branded as usury and is illegal.

As long as the matter is not brought to court the authorities turn a blind eye to it. But in Saudi Arabia, if the banks sue a borrower, the courts will deduct all interest paid and due, and in Abu Dhabi they normally deduct compound interest and may lower the rate of simple interest that the borrower is told to pay. These practices amount to a big disincentive to the banks to pursue their recalcitrant borrowers by litigation.

The banks admit that in part their problems are of their own making. During the boom years of 1974-82 they lent far too generously. If a customer had an important name or was associated with an important person they assumed he was creditworthy.

Given the difficulty of litigation and the doubtful value of mortgages in Arabian countries, the banks were quite right to think of reputation rather than security in the conventional sense. The mistake they made was in not getting to know their customers well—some of the Bahraini banks lent in Saudi Arabia without meeting their clients.

Often the banks asked for very little information. Customers played off one bank against another, telling (A) that it should not ask to see their accounts because (B) had not done so. The banks would lend, put the customer's behaviour down to Arab secretiveness, and justify their decision by telling themselves that they were adapting to the local culture.

Later, when the recession began, some of the foreign banks, operating from Bahrain, London or America, increased their clients' problems by cutting their lines of credit.

Most of the companies with whom the banks had these somewhat unprofessional and opportunistic relationships were small and upsophisticated. It is now mainly firms of these types that are causing the banks their problems.

Many of the owners, finding themselves in difficulties, turn to the banks and say in so many words: "In the good times you were happy to lend to us and make big profits from us, and now that times are bad you should share our losses." This attitude is sometimes found in companies which used to have turnovers as big as \$100m to \$200m.

An exasperated banker in Bahrain recently summed up the position: "These people don't understand what a bank is," he said "To some extent they look upon loan as equity finance. It's a matter of mentality as much as unscrupulousness.

"Now that they're trapped with bad investments and debt they can't repay, the only solutions they propose are to wait and see, hand over some useless buildings, or forget the loan."

Although bankers concede that many of their customers are sincere in this attitude, they also say that others certainly are being unhelpful or dishonest. A number of banks are now running out of patience with both types of borrower, and despite all the difficulties, in recent months they have become more willing to sue.

If the borrower is a Saudi they take it for granted that they will lose their interest, but they hope to get their principal back. They are spurred to action by the knowledge that many of their clients who appear to be bankrupt at home have assets abroad which make them millionaires. Banks have had almost no success in obtaining repayment through forcing clients to liquidate foreign investments.

In the last two months four banks in Bahrain that have become impatient with these types of problem have filed suits against Abdullah Fouad, a prominent businessman in a Saudi eastern province, whose company has debts of more than \$100m.

Most of the bigger companies that have got into difficulties have been less of a problem for the banks. They are anxious to maintain their creditworthiness in the long term, so they have not disputed the interest they owe and have rescheduled their debts.

In the last 2½ years there has been quite a large number of corporate crises of different sorts in Saudi Arabia, affecting major companies.

- National Chemical Industries and Carlson al Saudia, both contractors, collapsed in 1984. Early in the following year the National Automobile Company, the Central Province agent for Dodge, had its assets seized on the orders of Prince Salman, the Governor of Riyadh;
- In 1984 and 1985 the Ali and Fahad Shobokshi contracting company rescheduled \$400m of bank debt. Smaller reschedulings were organised by Halwani Brothers, an enterprising Jeddah food manufacturer and Beta Services;
- This year three major companies have been hit by liquidity crises and have been rescheduling debt. They are Arabian Auto Agencies, a vehicle and machinery company owned by Zayed Sudairi, the REDEC contracting and property empire of Ghaith Pharaon, and Arabian Bulk Trade, a construction materials importer partly owned by the successful and ambitious Xenel Industries.

The feeling among the banks is that there should not be too many more big companies that get into difficulties. If companies have weathered the storm so far, the reasoning goes, they will probably continue to do so.

There are many substantial companies in the Arabian Peninsula which are not at all modest but which are fairly recession-proof. Some have never borrowed money, even to finance imports, and others, since they saw the recession coming, have sold only for cash.

If their instincts are right, the banks will be immersed in large and small reschedulings and "workouts" for about another year. Most of their clients, likewise, will remain preoccupied with their debt and with retrenching in the face of recession. Given that a majority of Arabian companies are run by just two or three people they tend to think corporately of just one issue at a time.

From the end of next year, however, the hope is that companies will have adjusted to a poorer economy and will be looking to see what types of new business they can do in it.

There are a few companies such as the Olayan group and E. A. Juffali and Brothers in Saudi Arabia, which have been investing through recession. But most Gulf and Saudia entrepreneurs do not realise that companies can make money in bad times and do not at all understand the structural change that is taking place in their economy.

They imagine that all opportunities will continue to come from government spending and do not see that in future they will have to operate in a more complex environment, in which the private sector will be dealing with the private sector (as it does everywhere else in the world) and where markets will be composed not just of one client—the state—but of thousands and millions of companies and individuals.

Many businessmen are now focusing attention on making money abroad and will only turn back to the Arabian Peninsula when oil prices and production, and therefore government spending, increase.

One often hears bankers in the Gulf saying that they wish their clients would bring capital back from abroad, not necessarily to repay their loans but to recapitalise their companies and start them generating income again. But given the unimaginative management of Arabian companies, the uncertainty over oil prices and the prosperous state of the Western economy they are likely to be disappointed.

Contents

Role in Western Capital Markets

Waking up to far-reaching changes

ARAB BANKS have often been accused in recent years of being stick-in-the-muds as far as international markets are concerned.

They grew fat through the 1970s and early 1980s by helping to recycle the Middle East's financial surpluses into easily-packaged products like syndicated loans or to finance trade with the region. But when that business started to go sour, many of them seemed unable or unwilling to adapt.

Gradually, however, that stereotype is being called into question as a number of Arab banks wake up to the far-reaching changes under way around them in the capital markets. The talk in the region is all of investment banking, of fee-generating services and the securitisation of debt. And more banks are branching out from the Arab world, expanding overseas networks and links with the international bond and equity markets.

Most have had little choice but to move in this direction. Since the downturn in oil revenues and the collapse of the construction industry in countries like Saudi Arabia, a welter of bad debts has scared bankers away from lending to companies in the region.

At the same time, the international market for syndicated loans—which provided much apparently rich pickings in the early 1980s—has all but dried up as a result of the protracted sovereign debt crisis.

More generally, though, Arab banks have had to recognise that the opportunities for secure, profitable and productive investment within the Middle East are likely to remain limited for the next couple of years at least.

The search has been on among Arab banks, therefore, for new financial products, often in new locations. The boom in Western stock and bond markets over the past couple of years has served as an additional lure for many Middle East bankers. As a result, the focus for Arab financial activity has shifted inexorably away from the Arab world to international full-service financial centres like London—even if many banks retain a foothold in regional centres like Bahrain.

There are more than 40 Arab banks in London, and the number of Middle Eastern bankers there is rising, according to Mr Hikmat Nashashibi, chairman of the Arab Bankers Association there and vice-chairman of New York's Moseley Holding Corporation.

Two complementary forces are at work here: first, an almost universal wish to seize back some of the lucrative portfolio management work carried out for Arab investors and institutions by Western banks; secondly, an ambition on the part of some Arab banks to become important players in the securities markets in their own right.

"Arab investors have been sophisticated for years; it's the intermediaries that need to update themselves," said one Middle Eastern banker in London.

A few Arab-owned banks have long been established in the West. These include the United Bank of Kuwait, the London bank owned by 13 Kuwaiti institutions which is active in the money markets and has a large portfolio management operation as well as offering services such as mortgages to UK borrowers.

The newer arrivals have chosen a variety of routes to achieve their aims. On the one hand, there are those who wish to become truly international, such as Arab Banking Corporation, the Bahrain-based offshore bank owned by Kuwait, Abu Dhabi and Libya. Under the presidency of Mr Abdulla Saudi, ABC has aggressively sought to diversify its assets and liabilities away from the Middle East.

In 1984, it led a consortium which bought Banco Atlantico, a leading Barcelona-based commercial bank that was once part of the troubled Rumasa empire, from the Spanish Government. Since then, it has acquired 75 per cent of another commercial bank, Sun Hung Kai of Hong Kong, and increased its stake in a West German subsidiary, Arab Banking Corporation-Daus, which operates in the Deutsche Mark Eurobond market among other areas. ABC has also been beefing up its presence in London, transferring Mr Peter Siegl, a senior manager, from Bahrain to head a revamped capital market and corporate finance operation.

Abdulla Saudi, chief executive of Arab Banking Corporation.

A number of smaller Arab or Arab-linked groups have also been on the acquisition trail. Banque Arabe et Internationale d'Investissement, an international consortium merchant bank, has obtained a foothold in the London stock market ahead of the deregulatory Big Bang by buying Sheppards and Chase, a medium-sized stockbroker.

In New York about a year ago, a group of Middle East investors led by Mr Nashashibi, formerly a prominent investment banker in Kuwait, bought a 40 per cent stake in the parent of an ailing Wall Street firm, Moseley Securities, and gave it an immediate and much-needed injection of funds. He now talks of using it as a base to build an international securities business linking the Middle East, Europe and New York.

Alternatively, some banks have chosen to set up joint ventures with Western partners, like the Bahrain Middle East Bank, another locally-incorporated OBU. It has established an investment bank in Geneva in Conjunction with Bank Leu, and is planning to set up an offshore merchant bank with some members of the Hambro family.

The third, perhaps more conservative, approach has involved simply expanding a bank's branch network abroad to supplement its existing Middle East operations. This is a crucial difference between ABC and its nearest locally-incorporated rival, Gulf International Bank. The former sees itself as an international bank which happens to be based in Bahrain, the latter—owned by the six member states of the Gulf Co-operation Council and Iraq—as a Middle East bank above all else. So although GIB has expanded its branch network, it insists this is purely to supplement its core activities carried out from Bahrain.

The National Bank of Kuwait, to take another example, is moving its operations outwards as an extension of its basic business, whether with Kuwaiti or overseas customers, and it has moved to strengthen its capital market operations in London over the past 18 months.

"In the past, the emphasis was to try and get a Kuwaiti's commercial business, such as letters of credit and simple transfers; now we want to manage all his financial affairs," said a senior NBK manager.

Yet notwithstanding this rash of activity, the difficulties facing Arab banks in expanding their presence in the fashionable capital markets of the West are immense. For one thing, they are coming to the business relatively late. Secondly, they are competing against some very powerful and long-established organisations.

Mr Nashashibi says the shortage of Middle Eastern investment bankers "with sufficient experience, professionalism and connections" is a key reason for the relative lack of success enjoyed by Arab banks in international securities markets thus far.

"Middle East financial intermediaries have been predominantly confined to deposit and loan activity and the mentality associated with it," he says.

There is no doubt, too, that events such as the Souk al Manakh debacle have tarnished the image of Arab financial institutions in general, while official nervousness about the internationalisation of currencies like the Saudi riyal provides another hindrance to the integration of the Middle East into the international system.

Another important factor is the lack of placing power shown by Middle Eastern banks, with a few notable exceptions. The financial or institutional infrastructure is simply not sufficiently sophisticated to create a free flow of investment instruments.

Arab bankers are not deterred, however. They believe their regional connections ought to give them an important niche in the international market.

Perhaps these links will gradually develop into a proper institutional system which could lead to the creation of regional capital markets. Arabs often express a desire to see more Middle Eastern money invested at home, or to see more value added to the Arab world's capital surplus *within the region* through the construction of a thriving financial services industry.

Until the right investment instruments are developed and the private sector is given more of a genuine role in regional economies, however, the Middle Eastern financial system is likely to remain an adjunct of, rather than an equal to, that in the West.

Andrew Gowers

Arab Banks in Switzerland

Finance groups penetrate barrier

THE VISIBLE Arab banking presence in Switzerland is predominantly Lebanese, is heavliy concentrated on Geneva and is concerned primarily with the managing of the wealth of private investors.

With the exception of the Arab Bank of Amman, which got in before the barrier was lowered, the big Arab banks have been prevented from setting up banking operations by the Swiss authorities' strict interpretation of reciprocity.

Under this, banking licences in Switzerland are granted only to institutions from those countries which allow Swiss banks to establish branches on their territories. Lebanon is the only Arab country to fall into this category.

Arab interests are in some instances represented in the Swiss branches of French or British-based banks and in a couple of cases Arab financiers have taken minority holdings in banks with big Swiss banks as senior partners.

The classical way of circumventing the Swiss reciprocity rule has been to set up a finance company in Switzerland and one experienced Arab banker estimates tht there may be Arab participation in as many as 50 such concerns, although this is not always visible. The degree of disclosure demanded is less than that required from banks.

Finance companies are not allowed to accept deposits from the public but are able to carry out most financial operations with the exception of retail banking. They cannot join Swift, the inter-bank settlements system or the local Swiss system and they cannot obtain a seat on a Swiss stock exchange.

The degree to which finance companies under Arab control exploit this relative freedom to pursue banking activities appears to vary considerably. Trade financing is prominent in some operations but as with the banks the main emphasis would seem to be on portfolio management.

This at least is the case for the Saudi Finance Corporation, Saudifin SA, owned through a holding company in Rotterdam by the Al Saudi bank. It has been operating in Geneva since 1977 and has found the weight of its business shifting increasingly towards the management of private investment capital. Its credit operations have declined recently.

Credit des Bergues, set up in 1981 with a substantially larger share capital by the Kuwait Foreign Trading, Contracting and International Corporation and a minority Saudi partner, has had a rather different experience and may offer a better illustration of the opportunities available for finance company operations in Switzerland.

The Kuwait Government-owned corporation's first European ventue, it provides trade finance, has a foreign exchange operation, plays the interbank market and trades in financial futures and options.

The shareholders chose Geneva as their first European base because the private banking aspect was attractive, a lot of trading companies were active there and the competition was not as tough as in London, a senior spokesman said.

On the purely bankig side the Arab presence in Switzerland in the 1960s was represented only by Arab Bank and the Banque Libanaise pour le Commerce, an offshoot of the bank of the same name in Beirut.

The crisis in Lebanon in the 1970s prompted local banks to look for safer havens in Paris, London and Switzerland. Two important arrivals in 1976 were Audi Bank and the Banque de Commerce and Placements, a subsidiary of the Bank of Credit and Commerce International, London, in which the principal shareholder is the Al-Nahayan family of Abu Dhabi.

Interest in Switzerland as a financial centre for Arab interests has culminated in the last two years, when half a dozen new banks set up in Geneva.

Arab Bank (Switzerland) Ltd has its head office in Zurich but its operations are almost equally divided between Zurich and Geneva. Mr Issam Azmeh, a member of the management committee and manager of the Geneva branch, says the main thrust of its business is now portfolio management.

It does some trade financing but does not at present participate in project lending. On the other hand it has some Sfr 6bn ($3.7bn) in fiduciary deposits under management, almost all of which is private Arab capital. Swiss banking secrecy remains an asset for investment management, Mr Azmeh says, and Arab Bank benefits stongly from the large number of Arab tourists visiting Geneva.

Audi Bank was among the first of the Lebanese banks to move to Switzerland after the crisis had made it difficult to operate from Beirut and is has one of the biggest success stories. In Beirut, Audi was essentially a commercial bank, although the foundation of its own "cocktail" bank, Infibank, in the early 1970s with minority participations by several foreign banks, had opened its eyes to the potential. in managing and recycling private fortunes in petrodollars.

In Switzerland Audi bank has concentrated on portfolio management and showed safe custody and fidduciary accounts amounting to Sfr 1.3bn on its books at the end of 1985: This is not "Big Saudi or Kuwaiti money", Ms Christiane Audi, the deputy manager, says, but mainly private capital from Lebanese all over the world.

From Switzerland Audi Bank has moved into the US, where it has established a New York affiliate, tapping a similar market for companies and individuals of Lebanese origin. In February a representative office was set up in Miami to cater for Lebanese and other customers in Latin America.

Among the newcomers to Switzerland of the last two years BMB Trade and Investment Bank stands out by being non-Lebanese. Bahrain Middle East Bank EC crept under the reciprocity barrier by taking a minority, 40 per cent, stake in the new venture with two Swiss partners, Bank Leu (29 per cent) and Aubert et Compagnie, a finance company (31 per cent).

The move, BMEB's first joint venture in Europe, is part of its policy to diversify away from the Middle East. The new bank's objective are both trade finance and portfolio management.

Another relative newcomer, Mebco bank, is part of the Mebco-Petra group which includes the Middle East Banking Company. Beirut, the National Bank of Sudan and Petra Bank of Amman.

Societe Bancaire Arabe is an example of investment in a Swiss banking operation through France. Its shareholders are prominent Kuwaiti, Saudi, Lebanese and Syrian businessmen,some with dual French nationality which allows them to overcome the reciprocity obstacle. It, *too*, is offering full banking services, not just portfolio management, and is doing money market business.

The Saudi-Swiss Trade and Investment Bank and the Swiss-Kuwaiti Bank are examples of Arab collaboration with the big Swiss banks. Saudi-Swiss is a partnership between Union Bank of Switzerland (UBS) and members of the Saudi royal family with UBS holding the majority 60 per cent stake.

Credit suisse has a 70 per cent holding in Swiss-Kuwaiti Bank with Pearl Holding, Rotterdam, holding 27 per cent and the Kuwaiti-French Bank 3 per cent. Pearl is owned principally by three Kuwaiti banks.

Swiss-Kuwaiti Bank functions as a classic commercial bank, offering trade finance, running a stock exchange department and providing currency facilities but, as with most Arab banks in Switzerland, its main business is portfolio management.

William Dullforce

Arab Controlled Banks in Geneva and Zurich

Name	Date founded	Share capital SFr	Assets December 1985 SFr	Ownership
Arab Bank (Switzerland) Ltd	1962	26.4m	1.3bn	Mainly Shoman family, Amman, Saudi and Kuwaiti governments
Banque Algérienne du Commerce Extérieur	1981	20	140m	Bank of same name, Algiers
Banque Audi (Suisse)	1976	25m	358m	AudKuwaiti governments
Banque Algérienne du Commerce Extérieur	1981	20	140m	Bank of same name, Algiers
Banque Audi (Suisse)	1976	25m	358m	Audi family; heirs of Sheikh Nasser Al Sabah, Kuwait; Saudi and other Lebanese private investors
Banque de Commerce et de Placements	1976	20m	504m	Bank of Credit and Commerce International, London, 85 per cent BCCI is owned by the Al Nahayan family, Abu Dhabi, Saudi and other Arab investors
Banque Libanaise pour le Commerce	1961	5m	33m	Bank of the same name, Beirut
Banque de la Mediterranée	1985	20m		Bank of same name in Beirut
Banque Unie pour l'Orient (Banorient)	1979	12.5m	122m	Banque du Liban et d'Outremer, Beirut
Mebco Bank	1984	20m	33m	Mebco—Petra Group
Société Bancaire Arabe (Suisse)	1984	20m	46m*	Société Bancaire Arabe (Paris), Banque Worms
UB Universal Bank (Suisse)	1984	14m	42m	Universal Bank, Beirut
Wedge Bank (Switzerland)	1985	25m	145m	Part of Wedge financial and industrial group owned by Mr Issam Fares, Lebanese citizen resident in Switzerland
Banks with minority Arab shareholding				
Bank for Saudi-Swiss Trade and Investment	1979	50m	140m	Union Bank of Switzerland 60 per cent, and Saudi royal family
BMB Trade and Investment Bank	1985	10m	50m*	Bahrain Middle East Bank EC 40 per cent, Aubert et Compagnie 31 per cent, Bank Leu 29 per cent
Swiss-Kuwaiti Bank	1958	13.7m	46m	Credit Suisse 70 per cent, Pearl Holding, Rotterdam 27 per cent. Pearl is owned by Kuwaiti Banks

*End September 1986. **End June 1986.

Saudi Arabia

Problems come into the light

BANKING in Saudi Arabia is still facing a decline, but for the first time since the slide began in 1984, the Kingdom's bankers think they know how bad the problem is.

This is something which gives them a certain amount of comfort. Previously, as bad loans smashed profits, a lack of market information and government secretiveness sent bankers scrambling in the dark. Confidence plunged. Bankers now say they have a reasonable grasp of the extent of the Kingdom's banking problems and have an idea about how much worse it will get before things get better. A turnaround of modest proportions may take place within a couple of years, according to some.

The big problem is bad loans. Bankers have boosted provisions to cover non-performing loans. The Saudi Arabian Monetary Agency (SAMA) is permitting banks for the first time to share some information on bad loan customers. Still, no moves have been made to reconcile the conflict of interest-oriented Western banks and the Islamic Sharia law which forbids the giving and taking of interest.

Consequently, no bank can obtain enforcement of payment of interest on loans. Bankers speak derisively of customers who find "religion" when their loans payments fall behind.

Only two of the Kingdom's nine joint-venture banks have reported gains in profitability for the first half of 1986; most have reported large drops.

Sandi Cairo Bank, however, received the worst news when its shareholders learned at a September meeting that former General Manager Dr Hamid Al-Hunaidy was under investigation "for exceeding executive authority" in making loans, and were asked to approve doubling of share capital.

Only two of the joint-venture banks have reported gains in profit for the first half of 1986

The irony was that Dr Al-Hunaidy had been called in by SAMA to clean up the bank in 1982. At that time, the bank reported a SR408m ($105m) loss due to precious metals trading between 1979 and 1981. After an 18-month investigation by SAMA and Saudi legal authorities, Banque Du Caire secondee managing director Mr Bahgat Khalil and his foreign department director Mr Ahmed Abdul Basset Bajneeb, were each fined $2,840, and jailed for one year.

Saudi Cairo, a 60/40 joint venture with Banque Du Caire, is the only joint venture bank in the Kingdom that has failed to report its 1986 half-year results. Saudi Cairo's tardiness in reporting, said Mr Abdul Aziz Zaidan, chairman of the Saudi Cairo board, was due to investigations of at least three loans made to individuals far exceeding SAMA's statutory limit on a percentage of exposure with any single borrower.

Although the bank, propped up by the Saudi Arabia Monetary Agency (SAMA) low-cost government deposits, made profits for a couple of years, it reported zero profits for 1985, and a slight decline in assets to SR7.18bn. Loans and advances fell to SR3.92bn. Shareholders approved doubling the bank's capital.

The results for the kingdom's other banks were also down for 1985. But first half results of 1986 show that the smallest banks have reversed the trend. Saudi Investment Bank (SAIB), a joint venture 20 per cent owned by Chase Manhattan, reported a first half profit of SR 1.1m after making SR 20m provisions. This compares to a loss of SR 1.1m for the first half of 1985. United Saudi Commercial Bank, a joint venture involving Iranian, Pakistani, and Lebanese banks, has overtaken SAIB in asset size, and cut its 1985 first half loss of SR 13.1m to SR 5.9m, after taking SR 19m in provisions.

The remaining joint venture banks showed declines in profitability. The largest decrease occurred at Albank AlSaudi AlHollandi, a 40/60 joint venture with Algemene Bank Nederland. Profits for the first six months after provisions, were SR 11m, a drop of 56 per cent. Saudi American Bank, a 40/60 joint venture with Citibank, posted a six-month net profit after provisions of SR 85.8m, a decline of 37.5 per cent from the same period the previous year. Arab National Bank, 40 per cent owned by Arab Bank Ltd of Jordan, posted net earnings after provisions of SR 80.2m, a fall of SR 31.6 per cent.

Two banks, Saudi British Bank, 40 per cent owned by British Bank of the Middle East (of the Hongkong Bank Group) and Bank Al-Jazira, 35 per cent owned by National Bank of Pakistan, both posted six-month results without stating provisions. Saudi British posted SR 29.1m before provisions, down from SR 38.1m the previous year, and Bank Al-Jazira posted SR 11m before provisions for the first half of 1986, compared with SR 30.1m for the previous year's first half.

It is expected that more banks may follow this trend of excluding provisions from their unaudited quarterly balance sheets, which will make qualitative comparisons between the banks even more difficult.

The two Saudi banks, Riyad Bank and National Commercial Bank, do not operate on the Gregorian calendar, but have also posted drops in their latest results. Riyad Bank's quarterly earnings for the period ending June 5, were down 40.1 per cent to SR 48.3m, with large provisions. NCB, the largest bank in the Kingdom, reported an 80 per cent drop in profits for its last full year of operation, and made a provision for bad loans totaling SR 691m.

USCB increased assets by 35.2 per cent climb to SR 3.7bn, but most of the others reported only slight increases. Three banks reported declines, including Saudi British, SAIB, and Bank Al-Jazira.

Only three banks reported increases in loans and advances. USCB posted an 11.6 per cent gain to SR 700m. Saudi French Bank surprised observers by increasing loans 4.4 per cent to SR 6.6bn. Arab National Bank raised loans 2.9 per cent to SR 2.8bn. Most banks are trimming portfolios, and have not proven eager to extend new loans. Observers say the portfolio decrease is due to loans being paid off, not to write-offs.

Banks are loath to write off loans in the kingdom because there are indications under Islamic law that once a loan is written off, it is an admission that the loan cannot be collected, and absolves the debtor of reponsibility for paying it off. Many loans in the kingdom are unsecured, and even with loans that are secured, it is difficult to seize assets within the kingdom. This is due to problems in securing loan repayment.

Saudi bankers are extremely reluctant to risk money they cannot collect. This is due to the conflict between interest-based banking, and the Islamic Sharia law upon which the kingdom is founded. Islam forbids the paying or taking of interest, so courts do not enforce payment of interest on loans.

Bankers however, approve the SAMA-established information sharing system that permits banks to pool information on bad debtors.

SAMA has also won kudos for its quiet support of Saudi Cairo and the two smaller banks. SAMA was obviously not pleased that Saudi Cairo's weak internal controls permitted yet another financial problem to arise, and some say *Banque Du Caire's* acquiescence in doubling the bank's capital to SR300m was a result of SAMA's insistence. At present, there are no indications that SAMA is *seriously* considering forcing some smaller banks to merge.

The imponderable is the effect of the conversion of Al-Rajhi Company for currency exchange and commerce, the country's biggest money exchanger, into a bank. Money exchangers who began by simply changing different foreign currencies and taking a small margin, have grown into quasi-banks, with longer opening hours than banks, and a reputation for being Islamically "pure."

Some foreign joint-venture partners are re-evaluating their participation in the Kingdom.

Al-Rajhi Company takes deposits, has been admitted to SAMA's cheque clearing system, and enjoys almost all banking powers except making loans. It has more branches than NCB, the kingdom's largest bank, and would become comparable in size to the second largest, Riyad Bank, when the bank conversion takes place.

Because the Kingdom's banking market is depressed, some foreign joint venture partners are re-evaluating their participation in the Kingdom.

But at present the bankers are remaining, cutting costs and preparing for the long haul.

Finn Barre

BANK RESULTS

Bank	Assets (%+-) SR bn	Loans (%+-) SR bn	Provisions (%+-) SR m	Net Profits (%+-) SR m
	First six months 1986			
Saudi French	14.3(+5.4%)	6.6(+4.4%)	84.6(+104.3%)	53.5(-15.6%)
Saudi American	14.1(+3.5%)	4.5(-12%)	70.3(+135.6%)	85.8(-37.5%)
Arab National	10.8(+9.5%)	2.8(+2.9%)	36.6(+40.5%)	80.2(-31.6%)
Saudi Hollandi	9.7(+8.9%)	4.2(-1%)	25.0(-13.7%)	11.0(-56%)
Saudi British	7.6(-5.4%)	3.1(-8.1%)	—	—
Saudi Cairo	—	—	—	—
Bank Al-Jazira	4.6(-9.8%)	1.8(-4.5%)	—	—
USCB	3.7(+35.2%)	0.7(+11.6%)	19(+90%)	-5.9(+55%)
SAIB	3.5(-9.1%)	1.1(-10.7%)	20(0%)	1.1(+178.2%)
Riyad Bank*	31.0(-5.5%)	10.6(-2.0%)	96.5(+2.8%)	48.3(-40.1%)
NCB				

*Three month figures ending June 5 1986

Source: Published bank reports.

Private Investment in West

Foreign operations here to stay

IN THE last four years private Arab investments in the industrialised countries have become much bigger, mor sophisticated and respectable.

The watershed was in 1982 *when the Souk al Manakh*, Kuwait's unoffical stock exchange, crashed, and pulled all the other stock exchanges in the region into decline with it. At the same time Iran won some major victories in the Gulf war, which put a political impetus behind the flow of foreign investment. And as oil production dropped and the first signs of recession appeared in the region, rich Saudis and Gulf Arabs realised that their money would grow faster abroad than at home—which had not been the case in the previous 10 years.

In the 1970s foreign investment was regarded in the oil states as being faintly unpatriotic (as well as relatively unprofitable). Businessmen did not like to talk about it too much.

Now it is the only boom area of the Arabian Peninsula economy—people talk about it with enthusiasm as an expansion and diversification of their businesses. There is a realisation that even if oil prices and production recover there will never be a boom like the one of the 1970s again, not least because there are obvious limits to the types of development that can be undertaken at home.

It is accepted by the bigger businessmen, therefore, that foreign operations have come to stay. In future the big Arabian *trading houses will have an* international aspect.

There is no concensus figure for the size of Arabian Peninsula private foreign assets. But Hikmat Nashashibi, who last autumn masterminded the Arab purchase of a large share of the Moseley Holding Corporation, an American stockbroking house, has calculated the total amount to be more than $125bn.

This figure, which other Arab bankers accept as being reasonable, includes the investments of Arab banks and investment companies, but not their net foreign loans and money market positions.

Nashashibi believes that this year there may have been a net return flow to the *Middle East* of perhaps $1bn. If the figure is correct, the flow would have been caused by investors wanting to realise their profits on the western bond and equity markets and, *possibly, by their feeling* that there are very cheap assets to be picked up at home. This would be most obviously in the real estate market, where prices have fallen by as much as 80 per cent in the last few years.

Nashashibi concedes that he is not sure about this flow, and he points out that Arabs have a habit of discussing an idea over and over again with their friends before they act. *In effect* with many financial trends in the Arab world one hears a great deal before there is any action.

The feeling in the Gulf is that *there is neither an inflow nor* a very strong outflow. The big outflow took place in 1983-85 and was financed as much by shrinkage in companies' inventory as by trading profits or the liquidation of assets within the region.

From the point of view of any company which might be involved in managing private *Arab foreign investments*, the opportunities now focus on the huge sum that is already in the industrialised countries rather than on new funds leaving the region.

At the same time as they have expanded, the pattern of Arab foreign investments has changed. In the 1970s most Gulf Arabs were extremely conservative—concentrating on bank deposits, fixed interest securities and property, which they normally bought to live in rather than as an investment in the conventional sense. A very small number were wild speculators.

Among the richer merchants the habit was to look upon foreign operations more as trade than investment: the idea was to deal and realise a profit rather than *to build an overseas business* that would yield income in the long term. Now investors' operations are more organised and professional.

At the smaller end of the scale, *those people who cannot* afford their own specialist staff invest abroad through friends who are already involved in the business: there are many serious investors who will arrange a purchase for themselves and then telephone round their friends to see who would like to participate.

Bigger and richer investors—people who own substantial trading businesses—have opened foreign investment departments in their company headquarters. A person who has *done this in a characteristically* professional and thorough way is Ahmed Manai, the leading businessman in Qatar. In Bahrain the Kanoo family runs a substantial investment operation, *which is known to be low* profile and conservative.

Other businesses of the Kanoo's size have opened investment offices abroad. By far the longest established and best organised is that of the Saudi entrepreneur, Sulaiman Olayan, who has offices in London and New York and specialises in very professional portfolio investment.

The Jameel family, which owns the Saudi agency for Toyota, has an investment operation in Monaco, which has channelled large sums into shipping (in the later 1970s and early 1980s) *and has big holdings* in British and American real estate.

Abdul-Aziz Sulaiman, the son of the Finance Minister of the late King Abdul-Aziz and part *owner of the* Saudi Nisson importer, Siraj Zahran, has an investment subsidiary in Geneva and offices in New York and London.

Other prominent businessmen with well-organised investment operations are Abdullah Abdul Ghaffar Alireza and his son, Teymour; Rafiq Hariri, a Lebanese Saudi whose company, Saudi Oger, has made a fortune from contracting in the Kingdom; Ahmed Hamad Algosaibi, who is the major merchant in the Saudi Eastern Province; and Omar Aggad, who has been one of the four or five most enterprising and successful investors in Saudi light industry.

In Kuwait the trend since the *end of the 1970s has been for* investors to group in closed shareholding companies, most of which are associated with particular families or circles of friends. The most prominent companies have *been Gulf* Investment, established by the engineer, Sabah al Rayyes; Pearl Investment, the Sharjah Group, which was the creation of Shaikh Nasser Sabah Ahmed al Sabah *and was the first of the* companies to be launched; and the Coast Investment and Development Company, associated with the Sagar family.

Most of these companies have been *affected* by the Souk al Manakh crash and the Kuwaiti banking crisis, though all are expected to survive. The most active and successful at present is Coast, which is run by Faisal Ben Khadra, who has previously been at the Kuwait Fund for Arab Economic Development, the United Bank of Kuwait in London and the Industrial Bank of Kuwait.

Coast invests mainly on its own account but also arranges deals and then invites associates of the Sagar family and other contacts to participate. It led the Kuwaiti side of the group of investors which bought *nearly 25 per cent of the New* York investment bank, Smith Barney, in 1982; the Sadi side was led by the Aggad Investment Company. Since then it has participated in the Terrasse de Geneve scheme—developing a golf course and other amenities on French territory overlooking Geneva.

It is institutions such as Coast that have been behind most of the well-publicised direct Arab investments in Western businesses in recent years. Family investment operations have bought real estate on a big scale and occasionally have bought companies that would complement their trading and industrial businesses at home, but they have not made other direct investments for their own sake, *possibly because of* the demands these would make on their already stretched managements.

The most prominent institution to have organised direct investments is the Bahraini offshore company, Investcorp, which has 12,000 shareholders from all the Arabian oil producing countries. It has done 12 deals, worth about $1bn, with the best-known having been its purchase of the New York jeweller, Tiffany.

In every case it has sold the major part of the companies it has bought, to investors in Europe and America as well as its own shareholders. It has kept 5 or 10 per cent of the equity in each deal, partly as a testimony to its own faith in the schemes, but it makes its money from organising the sales or management buy-outs. It has never wanted to get involved in managing its purchases.

Michael Field

Arab Debt

Oil crash exacerbates debts

The debt problems of a number of Middle Eastern countries have been sharply exacerbated by the recent fall in the price of oil, and several states in the region are engaged in delicate negotiations either with their creditor banks, as in the case of Iraq, or with the International Monetary Fund. In the articles below, FT writers look at the sovereign debt of four North African countries.

Algeria

ALGERIAN DEBT

	1986	1985 $m	1984
Current account surplus	—	87	74
Debt*	—	17,000	16,000
Annual debt service	3,800	3,900	4,700
†Debt service ratio on medium and long-term debt	—	34	37

*Inclusive of short-term debt which amounts to $1bn to $1.5bn.
†As a percentage of exports of goods and services.

Source: FT estimates

THE DECLINE in the value of the US dollar and the sharp fall in the price of oil and gas will together deprive Algeria this year of 40 per cent or more of its real purchasing power abroad.

Algerian banks have already raised about US$2bn this year and probably hope to find a little more before the year is out. They have to service a debt of about $17bn (as of December 1985), at a cost of $3.8bn in 1986, roughly the same amount as was needed in 1985.

The country's foreign income is expected to decline to $8bn and imports are not expected to be higher than that figure. Orders were given to cut back investment by 25 per cent when the budget was rewritten last spring.

Such belt tightening will nonetheless not prevent the current account deficit from increasing from last year's figure of $200m to well over $1bn. Thus the debt service as a percentage of exports of goods and services will increase from just over a third to over 40 per cent. So far this year, Algeria does not appear to have drawn on its reserves, which doubled to $2.8bn at the end of last year.

The situation that confronts Algerian leaders is difficult, therefore, and no one in Algiers is under any illusion that there is room for manoeuvre.

First of all, the re-written budget for 1986, which is being implemented has already cut imports by one-fifth.

Secondly, many companies signing new contracts with Algeria have been asked to forgo the 15 per cent down payment in cash and roll that figure into the supplier or buyer credit being arranged for the project as a whole.

Thirdly, Algeria is raising more 18-month money on a bank to bank basis than hitherto, although short-term loans are not believed to amount to more than $1.8bn of the overall debt figure. Counter purchase agreements could also increase exports by $1bn—pig iron, wheel barrows, dates, phosphates and bathroom fittings and hydrocarbons.

Banks, not least the Japanese and French have been happy to lend further to Algeria so far, but some other banks feel that they will need a higher margin if they are to continue lending. Algerian borrowers enjoy a reputation for tough bargaining, which served them well when the price of oil was high. Earlier this year, however, it came close to derailing a loan for the Banque Algerienne de Developpement which had to be cut from $500m to $300m.

A later loan, in May for the Banque de l'Agriculture et du Developpement Rural was much better received, essentially because it offered the lenders more favourable conditions.

Algerian state borrowers have always resisted the desire expressed by many international banks to sell part of the paper they underwrite in the market. Some banks have succeeded in obtaining the consent of the Algerian authority to do so on specific trade credits, while others have resold the paper, at a discount without the knowledge of the Algerians.

Many bankers feel this is absurd and that Algerian banks would be better advised to allow their assets to be traded.

Be that as it may, Algerian officials have nothing to lose by making life a little easier for international banks. They face a difficult time next year but are not so constrained by foreign debt as to have lost all freedom of manoeuvre.

The World Bank has, in the past few years upped its loan to Algeria—the ceiling is expected to be lifted next year from $500m to $600m. The IMF privately, too, feels Algeria is doing a reasonably good job and there is no question of wholesale rescheduling. What Algeria might resort to, however, is refinancing certain bank loans so as to extend its debt maturity profile and lighten the burden of debt repayments.

Francis Ghiles

Egypt

EGYPT'S EXTERNAL debt picture has been marked in the past several years by a rapid build up of arrears — from US$800m in mid-1982 to US$4.3bn by the middle of this year.

About 60 per cent of arrears is overdue interest payments, some of which is attracting a penalty. Egypt's debt service position is continuing to deteriorate, although new borrowing has virtually stopped.

The International Monetary Fund, in its latest survey of the Egyptian economy, reports that external debt reached $38.6bn by mid-1986. This compared with debt of $38.29bn in 1984-85.

Debt service commitments this year total $5.5bn of which $2.8bn is amortisation and $2.7bn interest. The IMF report mentions a further $500m which represents obligations on foreign currency deposits in the banking system.

The $5.5bn debt service commitment in 1985-86 amounted to some 53 per cent of current receipts including remittances from Egyptian workers abroad.

Approximately $33.8bn of Egypt's debt is medium and long term. $4.8bn represents short-term liabilities.

Egypt differs from Latin American debtors such as Mexico in that almost all its liabilities are either covered by government guarantees or are to international agencies. This should facilitate re-scheduling.

Egypt's main creditor is the US. Loans outstanding at mid-year, including civil and military, totalled $9.9bn on which debt service obligations this year were $795.2m.

Military debt (all new assistance was converted to grants in 1984) stands at $4.3bn on which commitments for this year are $543.5m.

Egypt's largest multilateral creditor is the Gulf Organisation for the Development of Egypt (GODE), which provided Egypt initially with some $1.7bn after the food riots of 1977 alarmed surrounding Arab states about Egyptian internal stability.

The GODE loans, which central bank governor Ali Negm has described as a "revolving credit," permitted the elimination of debt-service arrears which had risen to about $1bn by April 1977.

Egypt's "usable" foreign exchange reserves totalled about $600m at mid-year, according to the IMF. This is sufficient cover for less than one month of imports.

Foreign assets of Egyptian commercial banks, mainly the big four public sector banks, increased from $3.7bn in June, 1981 to about $5bn at the end of 1985.

Anthony Walker

Tunisia

TUNISIA faces today its most serious economic and balance of payments crisis since the late 1960s. The sharp fall in the price of oil, which until last year was Tunisia's major export, the fall in tourist receipts following the US bombing raid on the nearby Libyan capital last April, and a disastrous cereal crop due to drought have all contributed to a foreign exchange shortage estimated at US$300m for 1986.

These difficulties come on top of criticism voiced by the World Bank about the manner in which the Tunisian economy is managed. It drew attention to large wage increases in the early 1980s that were not matched by productivity gains, a growth in consumption that until last year was greater than that of gdp and investments that were too capital intensive.

Despite all the political turmoil the country has witnessed this year, the minister of finance and planning, M. Ismail Khelil and senior Central Bank officials have worked fast with the IMF and the World Bank: a $150m loan to restructure certain industries and help maintain a vital flow of imports has already been signed and a second one devoted to reforming the farming sector is expected shortly.

Tunisia will be allowed to draw the first tranche of its quota with the IMF which, together with compensatory financing to make up for export shortfalls should provide Dinars 145m.

These monies are all the more necessary at a time when foreign reserves are at a very low ebb and the external debt has risen from 3.18bn dinars to 3.73bn dinars while the deficit on the current account is expected to increase by 150m dinars to 640m dinars.

Beyond the austerity measures announced by the new Prime Minister last August, notably a 10 per cent devaluation of the dinar and a series of cuts in public spending, a number of major economic reforms are being promoted. The government has decided to reduce the maximum tariff level from more than 100 per cent today to 50 per cent by 1987 and 25 per cent by 1991.

Prices of industrial products will be progressively freed, about one third of all such goods benefitting from this measure in 1986. Imports for a wider range of companies which export more than a quarter of what they produce will also be free, one of a series of measures destined to encourage exports.

Such measures are certainly needed to encourage companies which had been set up in the framework of import substitution rather than with a view to competing in international markets. Many companies owe Tunisian banks so much money that they could not possibly repay the funds—thus also adding to the problems of many Tunisian banks.

The role these older banks played in starting up projects after independence was important but with the state and para statal companies becoming as they grow rather less efficient, the control over the funds which the banks were lending appears to have weakened.

The new banks set up with private Saudi capital are bringing more modern assessment criterion when funding new projects but even they will find it difficult to grow if the many reforms now being initiated are not successfully implemented.

Tangier in Morocco, in the throes of loan negotiations with the IMF

The political turmoil Tunisia has witnessed these past ten months is not calculated to help the authorities. President Habib Bourguiba has decreed a campaign against corruption which has already claimed a number of prominent victims among the family of his second wife Madame Wassila Ben Amar, whom he divorced last August and that of his former Prime Minister, M. Mohammed M'Zali whom he sacked in July and who fled last September.

The political uncertainty which results from the disgrace of two such prominent politicians does not help the business climate and only makes the task of those entrusted with managing and reforming the Tunisian economy more difficult.

Francis Ghiles

Morocco

MOROCCO IS currently in the throes of delicate negotiations with the IMF, the aim of which is to revise a standby loan of SDR 200m (£120m) which was extended to the Kingdom 13 months ago but suspended last February after SDR 10m only had been drawn. The suspension of the loan came as a result of Morocco failing to comply with a number of targets it had agreed to meet with the IMF, notably in connection with its foreign trade arrears and budget deficit.

If no agreement is forthcoming by the end of 1986—a situation most senior Moroccans believe they will not have to face—the Kingdom would be, for this year a net repayer of funds to the IMF. Furthermore, lack of agreement would jeopardise negotiations with international bank creditors who are still discussing details of the rescheduling of the country's principal debt for 1985-1986. Morocco however, has been paying interest on this debt regularly.

Overall, Morocco's foreign debt stands at about $14bn, more than 100 per cent of gross domestic product. Debt repayments this year will cost $2.1bn and the country can count on $1.7bn worth of relief.

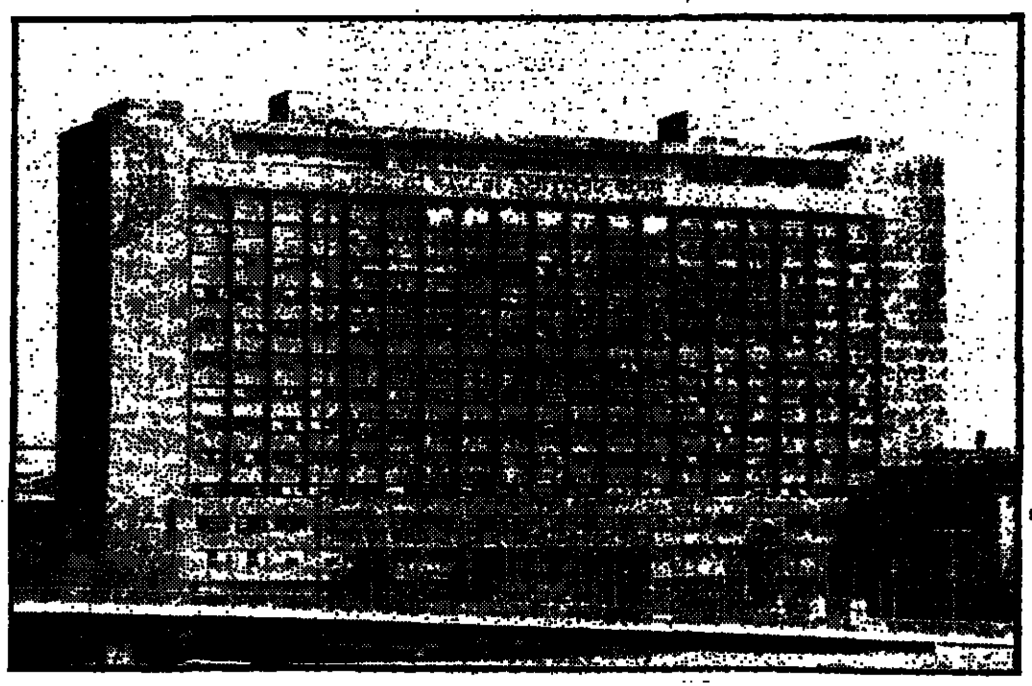
Morocco badly needs fresh money, which it might well succeed in getting in the framework of the Baker plan, but only if it reaches agreement with the IMF and clears up its trade arrears, which amount to $170m. Furthermore, US banks are not happy that $450m worth of bankers' acceptances and advances they have outstanding are considered by Rabat as working capital rather than repaid regularly and redrawn.

As it is, having drawn 440 per cent of its quota with the IMF, Morocco is walking a tightrope. Reforms wished upon the country by the IMF and the World Bank, are, nonetheless, being pushed through. Trade has been liberalised, maximum tariff levels cut back and the monopoly of exports of fruit and vegetables of the Office de Commercialisation et d'Exportation abolished. The budget deficit was trimmed to 6.1 per cent of gdp last year but the state still owes domestic companies 9bn dirhams and the Banque du Maroc's latest annual report bemoans the capacity of Moroccans to consume rather than save.

This year has, however, seen plentiful rains, a second crop and continued growth in exports, despite the many EEC non-tariff barriers.

It has also witnessed a sharp fall in the price of oil (the import bill here was over $1bn), a decline in the value of the US dollar and US interest rates. All these factors have provided Moroccan officials notably the new minister of finance, M. Mohammed Berrada with a welcome breathing space.

Meanwhile, Morocco's gross domestic product increased by 4.3 per cent last year, double the figure for 1984 and the best result since 1979. Despite a 14 per cent increase in money supply, partly explained by the shortfall of funds from abroad, the inflation rate was kept at 7.7 per cent. Despite the reining in of the budget deficit, government expenditure increased by one third. World Bank and IMF officials would be much happier if Morocco did not product budgets which included quite unrealistically high investment figures.



The Faisal Islamic Bank in Egypt, a country where arrears in external debt have built up rapidly.

Indeed, one could argue that Rabat is still, despite the starling work done under M. Karim Lamrani's premiership, victim of its own optimism where economic and financial targets are concerned. The recently appointed Prime Minister, M. Azzedine Laraki has been caretaker Prime Minister for the past six months and Minister of Education for the past nine years. As he has set about implementing fundamental reforms in his sector in conjunction with the World Bank, he is no novice about working with the Bank.

The strain in relations between the IMF and the Moroccan government has led many officials in Rabat to argue that they cannot undertake reforms too fast if this risks undermining the King's authority and threatening social peace. However slowly Morocco may appear to be moving, in the view of some Western observers, reforms are being made, they argue. With so many economic factors in their favour this year, the Moroccans know that now is not the time to relax their efforts.

Francis Ghiles

Government Investment

Juggling act with assets

IN THE last two years the Gulf oil producers have been performing a financial balancing act. Economists outside the region have been claiming that they have been running down their foreign assets, while the countries' central banks and finance ministries have been protesting that they have kept their holdings steady.

All the governments have made substantial drawings on their assets but probably their protestations are true. They have been able to make up the sums they have liquidated by capital gains on the bond and equity markets. The rise in the markets in dollar terms in the past 12 months has been about 40 per cent, which means that the oil producers may actually have increased the value of their assets.

Their gains have been maximised by the fact that they made their biggest bond purchases in the early 1980s, when their surpluses were running into tens of billions of dollars and bond coupons were hitting 17 per cent.

Furthermore the governments have not been affected by the recent fall in the value of the dollar—in fact they have marginally profited from it. Gulf currencies are more or less tied to the dollar—though there have been a few recent devaluations. This means that on their dollar assets they have lost nothing or gained fractionally, while on the smaller sums they hold in European currencies and the yen they have made substantial gains.

The question now arises whether a fall in equity, and possibly bond prices will put them in a very unhappy position if they continue their drawings next year.

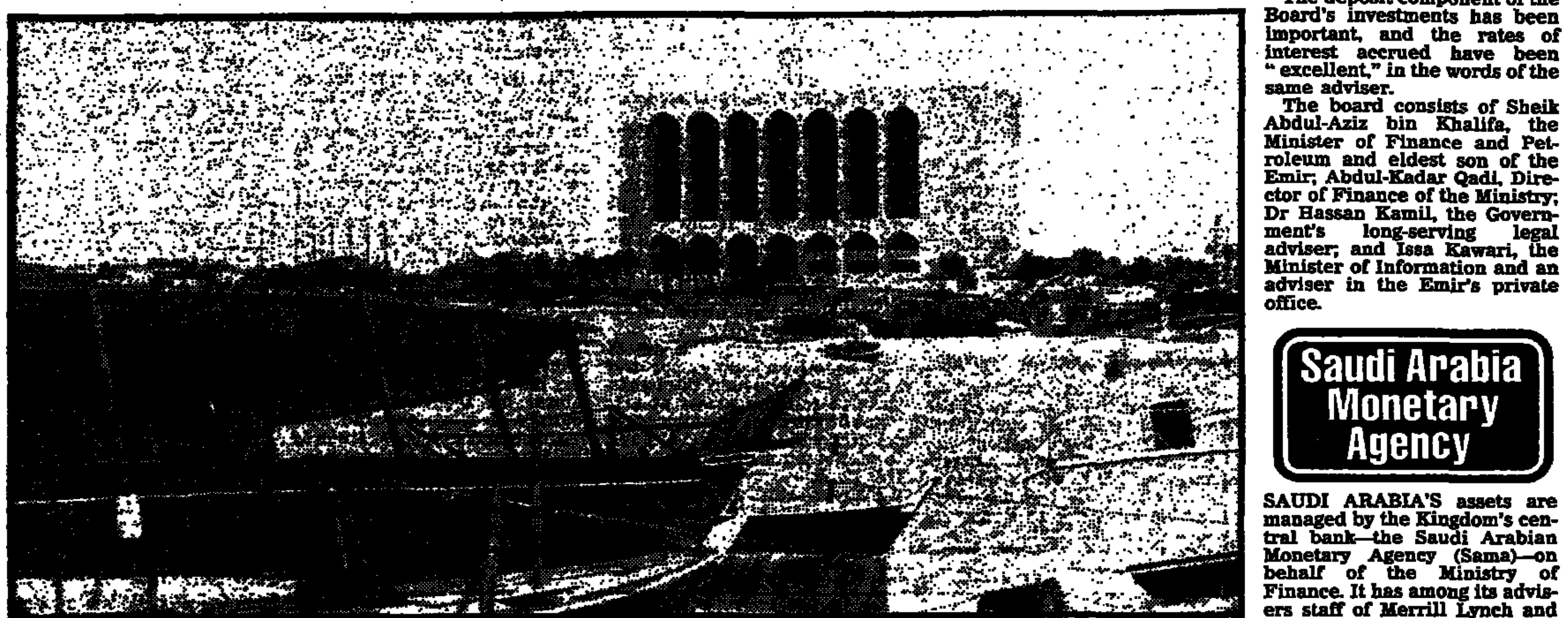
The total official holdings of the main Gulf oil producers—Saudi Arabia, Kuwait, Abu Dhabi and Qatar—at the end of last year were estimated to be about $200bn. This figure excluded loans to other Arab and Third World governments—particularly Iraq—and in Kuwait's case in the capital of government corporations, which the state sometimes includes in the figures it gives for reserve assets.

The figure is tentative, because the governments seldom release information officially. The data available to international organisations, such as the IMF and BIS, is piecemeal; and the Gulf countries' balance of payments statistics do not always record the repatriation of external assets, when this occurs. Similarly official budget projections in some countries ignore investment income.

Nevertheless, by assembling the evidence scattered in the markets, it is possible to develop a reasonably accurate snapshot of the state of the four countries' investments.

Of the four governments Saudi Arabia has pursued the most cautious investment policy. The others have increasingly managed their assets on a global basis—looking beyond the US and balancing the quality and yield of paper against currency factors and opportunities for capital growth.

Richard Carswell



The Central Bank in Abu Dhabi

Qatar Investment Board

QATAR'S income-yielding holdings are believed to be around $10bn. This figure excludes the country's foreign exchange reserves, which are managed by its central bank and which approached $400m at the end of 1985. It also excludes inter-Arab loans.

The Government runs a budget deficit — officially forecast at $2bn in 1985-86 but actually less. This deficit is funded by dipping into the country's investments. An adviser to the Qatar Investment Board, the government agency which directs the investments, asserts that there has not been much drawing down of holdings; nor has the development of the massive reserves of non-associated gas in the offshore North Field been a drain on the country's financial assets.

The deposit component of the Board's investments has been important, and the rates of interest accrued have been "excellent," in the words of the same adviser.

The board consists of Sheik Abdul-Aziz bin Khalifa, the Minister of Finance and Petroleum and eldest son of the Emir; Abdul-Kadar Qadi, Director of Finance of the Ministry; Dr Hassan Kamil, the Government's long-serving legal adviser; and Issa Kawari, the Minister of Information and an adviser in the Emir's private office.

The Board also has foreign advisers who attend its quarterly meetings. It issues instructions through the investment division of its finance department, which is administered by the Controller of Investments.

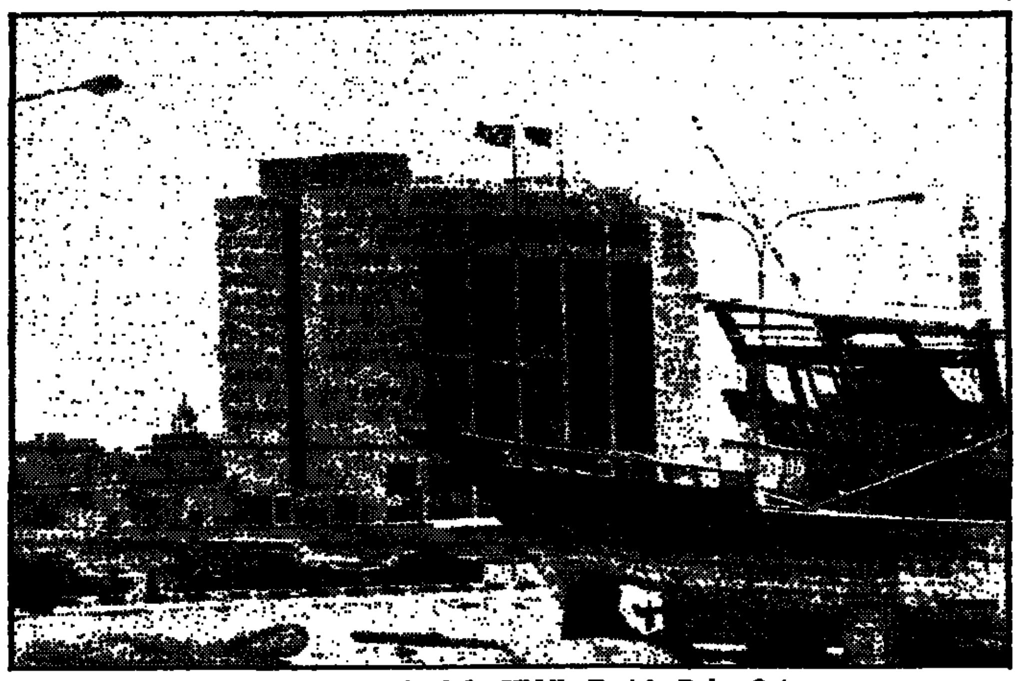
The Board's instructions are passed to its fund managers estimated to number 15 to 20. Traditionally the board has adopted a more cautious policy than the Kuwait Investment Office, not trading actively in assets nor building strategic stakes in companies. Within its broad guidelines on the relative weighting of currencies and investment instruments, fund managers have considerable freedom to pursue the best return on the assets under their direction.

Fund managers, who are usually from well-known international banks and investment companies, manage assets composed of single currencies. The precise division between liquid funds and commercial investments is not known but was thought to be approximately one-third/two-thirds in 1985.

Of the Board's commercial investments nearly all are tradeable securities: equities, bonds and other fixed income securities. Most equities are in different sectors in the US, West Germany, Japan, Britain, Switzerland and Holland — usually in sound, non-speculative undertakings.

Liquid funds are held mainly in the dollar but also in Deutschmarks, yen and sterling.

Richard Carswell



The British Bank of the Middle East in Doha, Qatar

Saudi Arabia Monetary Agency

SAUDI ARABIA'S assets are managed by the Kingdom's central bank—the Saudi Arabian Monetary Agency (Sama)—on behalf of the Ministry of Finance. It has among its advisers staff of Merrill Lynch and Barings.

Saudi Arabia has incurred a budget deficit since 1983-4. Despite severe cuts in expenditure, it suffered a short-fall of about $11bn in 1985-86. Because, on principle, the Kingdom does not borrow on capital markets or from official bodies such as the IMF, the country's deficits have been financed by recourse to its foreign assets.

A measure of the use of its reserves can be seen by comparing 1982 to the present. Four years ago the Kingdom's assets were $150bn; today they are estimated to be less than $90bn—an annual decrease of $15bn, or $1.25bn a month on average. Actual drawings have been greater, because the Kingdom has spent all its income and capital appreciation.

Sama holds the usual liquid foreign exchange reserves of a central bank. Their assets, which are included in the overall totals, were thought to be $30bn at one point in 1983, dropping to $15bn in 1985. They fluctuate according to the needs of the private sector, the reserve holdings of commercial banks in the Sama and drawings on the accounts of the various state agencies, such as Aramco and Petromin, which bank with Sama.

Of the four Gulf countries Saudi Arabia has traditionally held the highest proportions of its assets in dollars. In the early 1980s dollars made up between two-thirds and three-quarters of its investments; most of the rest were held in Deutsch marks and yen, mainly government notes. Dollar holdings have since decreased, but it is thought by not very much.

The Saudi riyal is normally pegged to the dollar—though it was devalued against the US currency in June by 2.7 per cent. The dollar's own decline has brought about a further fall in the riyal in trade weighted terms. Evidence in the markets have indicated recently that Sama has reacted defensively by moving out of dollars into other currencies. The extent of this diversification is thought to have been less than by its neighbours.

Saudi Arabia has a much larger population and a lower per capita income than the other Gulf countries. Its current budget needs are therefore greater. Sama has been forced to treat its reserve assets less as a "heritage fund" and more as a source of public expenditure.

The authority's investment policy has usually been safe, and its portfolio not noticeably active. Sama has tended to keep its assets in short and medium-term instruments: bank deposits and certificates of deposit maturing within three to 12 months; short-dated government securities of three years or less, specially US government notes (perhaps a third of its total assets); and only a small proportion in corporate bonds and equities. A high guess for equity holdings would be $5bn.

Maturities have shortened since 1983, when Sama began to withdraw part of its reserves to meet the requirements of the Kingdom's public sector deficit.

Differences are said to have persisted between the Ministry of Finance and some quarters in Sama over the function of the Kingdom's assets: should they be regarded simply as a budgetary safety net, as the Finance Ministry would like, or be invested more adventurously and used as a means of earning income and providing a livelihood for its citizens in the future, when the country's oil runs out or is no longer at a valuable premium? For the time being it seems that the Finance Ministry's views have prevailed.

Richard Carswell

Abu Dhabi Investment Authority

THERE are no reserves in the name of the Federal Government of the United Arab Emirates. Of those emirates which have reserves, each controls its own. The only emirate which has accumulated a significant surplus is Abu Dhabi, which is the principal contributor to the UAE's federal budget.

Abu Dhabi's reserves are managed by the Abu Dhabi Investment Authority (ADIA), which rarely releases information to the public.

Last year ADIA announced that its commercial reserve totalled $17bn. At the time local financiers reckoned that the amount was more like $20bn to $25bn, excluding inter-Arab loans. They believe that $25bn is still an accurate figure, although they point out that it partly depends on the evaluation of ADIA's holdings of gold. ADIA is known to have bought metals at the top end of the market and to have held on to them.

Abu Dhabi has incurred a deficit on its budget since 1982—about 40 per cent of expenditure is devoted to federal needs. It has diverted some reserve income to meet the deficits. As oil revenues fluctuated earlier this year Abu Dhabi dealt with its short term cash flow problems by borrowing from the National Bank of Abu Dhabi (NBAD), often overnight.

Nevertheless, ADIA officials admit privately that the Authority has benefited considerably from capital gains in the world's financial markets.

There is evidence that ADIA is an aggressive player, switching in and out of instruments and currencies in search of the best return. But it is difficult to track its exact movements. Not only does ADIA trade on its own account and through international banks; it also acts via the NBAD, of which it owns 75 per cent.

ADIA says unofficially that more of its investments are now in equities than in previous years. Yet, according to an executive of an international bank in Abu Dhabi, at the beginning of the year the authority moved out of equities into bonds and cash deposits.

Unlike the Kuwait Investment Office, ADIA is not thought to hold large amounts of equities. It is believed to be considering increasing its direct investments. ADIA and the Abu Dhabi National Oil Company (ADNOC) already own the International Petroleum Investment Corporation as a vehicle to secure a greater share of the downstream oil market, particularly in the US, Western Europe and Japan.

Thus ADIA's attitude to equities has generally been a short-term one; it has bought and sold them for profit and not usually built up a longer-term strategic stance. One of the exceptions to this policy was ADIA's purchase of a 12½ per cent stake in Reuters. (This holding has since been reduced.)

Calculating the proportion of currencies in ADIA's total investment portfolio is hazardous. Local bankers estimate that the dollar currently makes up over half the portfolio. Until recently Abu Dhabi has invested heavily in the dollar because of the long-term security of the US economy and the link between the dirham and the dollar.

Yet since US interest rates have fallen from their peak in 1984 and the dollar has declined in value on a trade weighted basis, the incentive has been for ADIA to move into other currencies.

The likelihood is that the Authority moved strongly into yen last year and into Deutsch marks and Swiss francs in 1986. ADIA officials concede this and some London banks claim that at some points this year the Authority's dollar holdings have been below 10 per cent.

Sterling's comparatively disappointing performance has led ADIA to reduce its holdings of the currency to a minimum. The Authority's sterling assets are managed by its London office and the establishment of the UK branch was originally intended as an experiment. Given the decreasing importance of sterling in ADIA's investments, the Authority may repatriate some of the London portfolio to head office.

Of Abu Dhabi's total funds, about half are believed to be managed within ADIA, the other half by international banks. Investment managers have room for discretion within flexible guidelines. They are not restricted to managing single currencies.

ADIA has five departments: commodities; local and Arab investments; real estate and acquisition; bonds and equities; and finance and administration. A year ago it was rumoured that the investment departments would be reorganised, partly as a reflection of the Authority's dissatisfaction with the overall return on its investments.

So far the reorganisation has been confined to the bonds and equities department. Managers have been strengthened by the addition of assistant managers.

ADIA's board consists of Sheikh Khalifah bin Zayed, Abu Dhabi's heir apparent; Mr Ahmad Suwaidi, a personal adviser to the UAE's president; Sheikh Surour bin Mohammad, the Presidential Chamberlain and Chairman of the Central Bank; Sheikh Tahnoun bin Mohammad, the governor of Al Ain, and Dr Mana Al Otaiba, the Federal and Abu Dhabi Oil Minister.

Richard Carswell

Kuwait Investment Authority

KUWAIT'S total reserves, managed by agencies of the state's Finance Ministry, were reported at the end of the financial year 1984-85 to be just under $80bn; they are now probably about $85bn.

Those totals exclude some $25 to $30bn worth of capital in state-owned companies (such as Kuwait Airways) and loans to other governments. (Loans were thought to be just over $8bn at the end of 1984). The totals also exclude foreign exchange reserves, held by the Central Bank, currently running at about $4bn.

These figures are similar to those quoted in 1983-85. They suggest little change in the country's reserves in real terms, despite the liquidation of some assets in 1983-85 to pay for the Souk al Manakh collapse. (These liquidated reserves should have been reflected as inflows in the balance of payments figures but were not.)

The compensating factor has been the gains made in the world's bond and equity markets.

Forecasts of the 1986-87 budget outturn vary from an overall balance to a deficit of $2bn. The officially projected deficit is $3.77bn. However it does not take account of investment income on the revenue side, nor the earmarking of revenue for the Reserve Fund for Future Generations (RFFG).

The RFFG, which was established in the mid-1970, is allocated by law a minimum of 10 per cent of current revenue each year. Its income is automatically reinvested, and its assets cannot be touched until the next century.

The country's reserves are divided between the SGR and RFFG. Because of its statutorily guaranteed growth, the RFFG now adds up to more than half of Kuwait's total reserves. At the end of 1984-85 the RFFG was reported to be worth over $40bn.

The commercial assets of the SGR and RFFG are managed by the Kuwait Investment Authority (KIA). This began to operate fully from 1984 and is responsible to the Finance Minister, Mr Jassem al Khorafi.

The KIA's board consists of the Finance Minister, the Oil Minister, the Governor of the Central Bank, the Under Secretary of the Finance Ministry (all ex-officio) and three others, including Dr Fahd Al Rashid, the Authority's managing director, and Sheikh Fahd Mohammad Al Sabah, the chairman of the Kuwait Investment Office (KIO).

The Kuwait Investment Office, set up in London in 1984, is under the supervision of the KIA in Kuwait. In practice the London office pursues its business with a degree of independence. It enjoys a good reputation, partly due to its Chairman, Sheikh Fahd.

Nevertheless, in the early 1980s, there was domestic parliamentary criticism of the KIO and that contributed to the establishment of the Authority. Moreover, some of the KIO's functions are thought to have been moved recently to the Authority, which has in turn increased its local staff.

The KIO has generally secured a better return on its investments than the international banks which handle the rest of Kuwait's commercial assets. Working on its own account the KIO responds more rapidly to markets, and its costs are lower.

The banks handle about half of the country's commercial assets. They manage portfolios in their local markets and are directly responsible to the authority in Kuwait. They include some of the obvious, best-known names, principally from the US, Germany, Switzerland, Japan and Kuwait.

Most of the assets that are earmarked internally as being part of the RFFG are managed by the KIO. They are spread between equities and bonds in the main, but also include property and direct investments in companies.

Three holding companies in particular are owned by the KIO in Britain: the St Martin's Group (property); the Hays Group (oil and petroleum storage and distribution, chemicals, shipping, packaging, cold storage); and Autobar, a private, fast-food manufacturing and service company.

Geographically the spread of Kuwait's assets range across the world and include shares in Hoechst (held by the Kuwait Petroleum Corporation), Daimler-Benz, Metallgesellschaft, and Volkswagen do Brasil (bought originally by the Ministry of Finance). These shares are assigned to the RFFG.

The RFFG is believed to have profited from a sizeable capital appreciation of its European and Japanese portfolios in the last 12 to 24 months. This is not officially acknowledged by the Finance Ministry.

But it is known in Kuwaiti banking circles, for example, that during the summer substantial amounts of foreign securities were sold and bought back immediately in order to realise a capital gain. (The operation might be reflected in future RFFG figures; they are released but not published widely.)

The exact weighting of instruments and currencies invested in by Kuwait are an offical secret—though the proportion of dollars is known to fluctuate between 25 to 40 per cent. Most investments have tended to the long term with no large funds on deposit. But lately all portfolios have been required to retain a certain proportion liquid because of budgetary needs.

Richard Carswell

Kuwait

Expensive solution to a crisis

AT THE end of September the Ruler of Kuwait appointed a new Governor of the Central Bank, Sheikh Salem Abdul-Aziz al Sabah. His job is to implement the Government's programme for the solution of the country's banking crisis.

Nobody outside official circles knows exactly how serious the crisis is because the banks are reluctant to talk about figures, but a widely accepted estimate is that the banks have non-performing loans of $4 to $6bn in a total loan portfolio of $18bn.

Sheikh Salem, who before his promotion was Deputy Governor of the Central Bank, is young, extrovert and lively. He has a reputation for tact and charm in his dealings with the banks; he is at ease in public and, on occasions, he enjoys talking to the press.

He is a sharp contrast to his predecessor, Abdul-Wahab Tammar, who became Governor of the Bank in 1983, after many years in which he had been head of the Kuwait Foreign Trading Contracting and Investment Company. Tammar is an austere, retiring character, who had a reputation for being fair but extremely tough in his dealings with the banks.

In his attempts to find a solution to their problems he dealt with them "by the book," as a banker *in the state put it* recently. In bankers' gossip he was often accused of "making war" on them.

The change in personalities at the Central Bank is important because *it* follows a change in Government policy on dealing with the debt crisis. From being harsh, the Government has decided to resolve the matter with a soft, generous approach, and the appointment of Sheikh Salem—whose technical qualifications are every bit as good as his predecessor's—symbolises the change.

It also happens that Kuwait is now being ruled directly by the Sabah family, since the National Assembly, which acted informally as an ally of Tammar, was dissolved in July. The solution adopted to the debt crisis is very much a Sabah one—it is being said in the state that society has traded political freedom for a large sum of Government money—and it seems logical in this case that there should be a *Sabah at the Central Bank to* supervise the process.

The crisis now being resolved had its origins in the crash of Kuwait's unofficial stock exchange, in the Souk al Manakh car park building, in September 1982. The market traded shares in Kuwaiti-owned offshore companies, many of which had no assets apart from inflated stock in other companies. Credit for buyers was created through the issue of post-dated cheques, which at the time of the crash were found to total $92bn.

It took two or three years to resolve the chain of debt that resulted from the crash because the Government was never willing to force a comprehensive settlement which would have led to the bankruptcy of important people. For much of the time it approached matters on a case by case basis, tailoring solutions to the needs of individual major debtors and the circle of people which dealt with them.

While the debts were being unravelled nobody knew who was solvent and who was potentially bankrupt. People who were owed money by the former speculators were sucked into the crisis. Trading businesses' turnovers slumped. Many of the smaller financial institutions in the state stopped functioning. Businessmen who had never touched the Souk al Manakh found themselves unable to repay their loans.

In effect, while it was being resolved, the Souk al Manakh affair turned into a national banking crisis. The whole episode has done much more damage to Kuwait than the Iran-Iraq war, which has curtailed a flourishing re-export trade, or the drop in oil prices.

From the time the bank debt problem emerged two years ago there have been two views on what should be done about it.

The soft-line party, which has favoured the use of public funds, *not surprisingly has been* made up of the debtors themselves, who include members of the Sabah family, and the banks' directors and shareholders.

These people have argued that the years of crisis have traumatised and divided Kuwaiti society and that the debts have to be approached as a political and social question. They have been talking of the need for reconcilation and the healing of wounds.

Ranged against them has been an unspoken alliance of radicals and nationalists of the Assembly and serious western-educated technocrats—not least Abdul-Wahab Tammar. All of these have argued for a tough solution which would oblige the banks and their debtors to face the consequences of their misjudgments.

The political group in this alliance has been motivated partly by a desire to save public money and partly by its old joy of annoying the ruling family. It has felt that although some public money should be used to resolve the crisis it should be channelled to those who need it most.

The technocrats have favoured a painful solution because they have felt that in the long run it would make the Kuwaiti banking community stronger and more responsible. Abdul-Wahab Tammar antagonised the banks with a series of instructions which in any place outside the Arabian Peninsula would seem normal.

He curtailed their habit of window-dressing their balance sheets at the end of the year, prevented them from putting unpaid interest into their balance sheets, and forced them to make realistic provisions. He insisted in a most un-Arabian fashion on the separation of position and self-interest; bank directors who were indebted to their banks were forced to resign.

Now all of these arguments have become somewhat academic since the Ruler dissolved the National Assembly in July, and a little later published by decree the Government's generous package for the resolution of the crisis. Abdul-Wahab Tammar offered his resignation immediately and had it accepted in the middle of September.

What the Government has done is decree an extremely charitable rescheduling operation. It came into operation at the beginning of September and it is supposed to have been implemented by the end of the year. But even so, the chances of all six banks reaching settlements with several thousand independent-minded, sensitive, opportunistic and cunning Kuwaiti debtors in the space of four months is remote.

The Government's package divides debtors into three categories.

● Those who have no cash flow and no assets are to sign 10-year promissory notes, yielding a zero rate of interest. During the 10 years, if the bank can find assets abroad or if the debtor inherits money, the bank will be repaid all or part of its loan. If not the promissory note will be written off.

● Those who have *no cash flow* but some assets will sign a mortgage agreement for the assets and promissory notes for the balance—as above. If the banks want to sell the assets at any point or work out a compromise solution with a debtor they have to ask the permission of the Central Bank.

● Those debtors who have some cash flow are to reschedule their debts over 15 years, with a maximum interest rate of 7 per cent.

The losses that the banks will incur are being partially guaranteed by the Government. The banks are to make provisions against the promissory notes they receive, but if these eat up more than their operating profits for 1986 plus any hidden reserves they still have, the Government will make up the difference.

At the same time, to try further to stimulate the economy and restore confidence, the Government has intervened in the official stock market (which had already been boosted by the dissolution of the Assembly) and in what remains of the unofficial market. It is also bringing up to date its payments for land purchases.

Before the present settlement the Government had spent about $8bn on clearing up the Souk al Manakh disaster. This money was split between stock support operations, a fund to bale out "small" investors (with less than about $6m at stake on Manakh), and the purchase from bankrupts of holdings in companies quoted on Manakh, which are inaccurately referred to as "closed shareholding companies."

The Government now seems liable to spend up to a further $6bn compensating the banks for their losses, plus whatever additional sums it decides to invest to support the stock market. In practice Kuwaitis think that the Government will spend a lot less or a lot more than $6bn — depending on whether they are pro or anti the new settlement.

The optimists argue that the *injection of state money will lift* everyone's confidence, revive the markets and get the economy growing again. The stocks and land that make up the collateral for the debtors' bank loans will rise in value and enable banks to recover much of their money. They will not have to write off their promissory notes and the Government will not have to compensate them. At the same time the Government will be able to sell its new shares — at a profit.

Shiek Jaber al Ahmad Al-Sabah, Kuwait's ruler

But according to the cynics it will take more than a paper settlement of the debt problem to revive the Kuwaiti economy and meanwhile the size of the banks' bad debts will increase. As a manager of one of the banks puts it, "nobody has an interest in being solvent any more, and if people can get away with not paying their debts, they won't pay."

It is suggested that the volume of bad debt being indirectly guaranteed by the state might rise from $4bn to $6bn to, say, $8bn to $10bn.

In the end it has been a classic Kuwaiti solution; the state is paying and Kuwaitis are gaining. This is what has happened in the past in corporate rescue operations, in state support of the stock market after the relatively minor slump in 1977, and in the whole land buying programme of the last 35 years.

If one accepts the definition of Kuwaiti government given by a diplomat 15 years ago, that "its business is the transfer of oil revenues into the pockets of its citizens," the solution of the banking crisis has been a very efficent operation.

However, for anyone who was hoping that Kuwait would develop more on the lines of important international financial centres in future, and not be just an interesting, quite sophisticated but rather extraordinary source of capital, the result is a disappointment.

The banks and their customers have not been forced to behave as they would in other markets. Even staunch defenders of the soft solution accept that it has done nothing to prevent the same cycle of speculation and slump happening again, if the economy picks up, in five or 10 years.

Michael Field

Kuwait Banks' Performance (KDM)

	Assets 1984	Assets 1985	Advances 1985	Contras 1985	Profits before distribution 1985	Return on average assets 1985 %	Earnings per share (of KD 10 nominal value) 1985	Cash dividend 1985	Total equity 1985	Nos of shares 1985	Value per share based on equity 1985 (in KD)
National	2652	2590	1150	614	23	0.9	0.4	11.6	201	58m	3.5
Commercial	1813	1656	970	340	—	—	—	—	126	37m	3.4
Gulf	1882	1821	998	324	—	—	—	—	156	40m	3.8
Alahli	1593	1512	778	279	3.9	0.3	0.12	1.6	117	31.5m	3.7
Bank of Kuwait and the Middle East	914	875	544	121	1.5	0.16	0.06	—	80	25m	3.1
Burgan	944	999	543	83	—	—	—	—	152	51m	3.0

Bahrain Offshore Banks

Finance centre in search of role

BAHRAIN IS an offshore financial centre in search of a role. Its *raisons d'etre* in the 1970s and early 1980s have faded: the lending boom to companies in places like Saudi Arabia and the UAE has ended in tears and a heap of bad debts; syndicated lending has just gone out of fashion; and the money markets and newer forms of capital market have flourished elsewhere in the meantime.

Just about all the Offshore Banking Units (OBUs) in Bahrain have cut staff — some of them drastically — in the last two years. Some foreign banks, including Security Pacific, Overseas Trust Bank, Brazil's Banco Commercial and Belgium's Kredietbank have closed OBUs, representative offices or investment banks.

The number of active dealing rooms is estimated to have halved since the heydays of the local money and foreign exchange markets. This is partly because the market in Saudi riyals has been discouraged by the Saudi authorities (though they appear to be more relaxed about international trading in the riyal these days), and partly because foreign exchange business in general has tended to concentrate itself in a few very liquid trading centres — especially London — as a result of advances in communications.

At the same time, some locally-incorporated OBUs are spreading their wings by setting up investment subsidiaries and capital market operations in the West. These can take the form of joint ventures with foreign banks, like the investment bank being set up in Geneva by Bahrain Middle East Bank in conjunction with Bank Leu, or of wholly-owned subsidiaries like Arab Banking Corporation's strengthened securities trading and corporate finance arm in London.

The Bahraini Government is understandably worried. It has devoted considerable efforts to building up Bahrain as an international banking centre since 1975. It has set great store by the employment provided for educated Bahrainis by offshore operations — only to see the number of people working in the banking sector as a whole shrink by at least 10 per cent in the last two years to the current level of around 5,000.

The downturn is not really any fault of its own. And the high-profile departure of some foreign banks has occasioned deep irritation, with the Government warning those that do withdraw that they cannot expect to be let back in if and when the good times return.

Yet none of this should in itself be a cause for despair. In a sense, as Bahraini officials now acknowledge, what is happening there is a necessary correction after the years of often *unwise and speculative lending*.

"Too many banks came over here thinking that the roads were paved with gold," said a senior Finance Ministry official.

"I'd blame the banks for a lot of their own problems here," said a chastened banker. "They got blinded by syndicated lending and they didn't do adequate risk analysis. They should have been a lot more careful about the management of companies to which they lent."

Those banks that have left — some of them, like Continental Illinois, for reasons that were not necessarily related to Bahrain — were of marginal importance, and it is generally recognised that there will be a hard core of banks with a long-term commitment to the region that will stay.

Whether or not some are merely retaining a token presence, the number of overseas banks still listed in Bahrain is impressive: a total of 71 OBUs, 16 investment banks and 63 representative offices.

In another sense, Bahrain is merely an extreme example of what is happening in banking the world over, with the march of global trading and the move to off-balance-sheet activity.

The shift certainly involves a reduction — at least for the time being — in Bahrain's financial ambitions.

"At one stage, in the beginning, Bahrain almost had a chance of being a major international financial centre," said one seasoned local banker. "But the whole trend of the world market has gone against that."

But there are banks which still see opportunities. Four licences have been issued this year for investment banking or representative office operations, including Australia's rapidly expanding Elders group and a Japanese-Arab group called Okasan International. Robert Fleming, the UK merchant bank, is another relative newcomer.

What is more, the authorities have moved decisively to tackle what had been widely seen as some of the major drawbacks of doing business in Bahrain: the high cost of establishing and operating an office, and the excessive amounts of red tape involved. Over the last 12 months or so, the Government has:

● Cut employers' social security contributions by a third and reduced municipal taxes by a lesser amount;

● Slashed telecommunication charges—a major cost item for international banks—by some 40 per cent; and

● Promised to be more flexible over "Bahrainisation" of bank staff and over the issuing of work permits to expatriates.

Coupled with the sharp fall in rents that has accompanied the economic slowdown, that probably amounts to an overall reduction of between 20 and 25 per cent in the cost of maintaining an operation in Bahrain.

The real underlying problem for the future, though, lies elsewhere: in the limited range of financial products on offer in the Bahraini offshore community. Many banks are holding back from new lending because they have had their fingers burnt so badly in Saudi Arabia; some spend most of their time chasing bad debts. Their hands are tied in developing a proper customer base because of their legal status as offshore units.

One locally incorporated OBU, Gulf International Bank, has ventured into the unit trust business this year for the first time with a *dollar money* market fund; but otherwise this is an art in its infancy.

With the exception of GIB and Arab Banking Corporation, other locally-incorporated OBUs—principally Kuwaiti-owned—are finding it tough to decide what they should be doing.

"All the OBUs have been asking themselves where they are going to be in five years' time," said the manager of one of them. "I doubt if any of them have an answer yet."

Many talk of developing their investment or merchant banking operations—of branching into corporate finance and management consultancy. But much of this talk sounds like an idea ahead of its time in the Gulf.

As for capital markets, all but the biggest local OBUs (ABC and GIB) may well find it difficult to compete internationally, and—in spite of the good intentions expressed by Gulf governments—a regional capital market has not begun to take shape. Financial confidence still needs bolstering after the terrible knocks it has received in recent years from Kuwait's stock market troubles, the Gulf war, and the economic downturn.

Portfolio management is another matter, and is one of the things that is continuing to attract foreign banks to Bahrain.

But for the moment the locally-incorporated OBUs are devoting most of their time to consider what to do with their own shareholders' capital, let alone that of other individuals. Bahrain International Bank, United Gulf Bank, to some extent, Kuwait Asia Bank have set out to invest the capital they have at their disposal on Western markets.

The Kuwait and Bahraini authorities have urged all or some of the local OBUs to consider merging to cut costs, strengthen their capital base and reduce duplication of activities. But by itself, such a move will not answer the fundamental questions about the future of Bahrain as a banking centre.

Andrew Gowers

UAE

Taking an interest in legality

THE BIG issue that faces bankers in the United Arab Emirates—and *particularly in Abu Dhabi*—is whether compound interest is legal or illegal. There are several hundred—possibly even one or two thousand—cases filed by traders who are demanding that banks repay them the compound interest they have been charged during the last five to 20 years.

If judgments were to go against the banks, and the Supreme Council of the rulers, the highest legislative authority in the federation, were to reinforce the judges' decisions by declaring compound interest definitely illegal the result would be disastrous.

Recalculating the interest on accounts that go back to 1966, when Abu Dhabi began its development as a modern state, in some cases would involve the banks paying back 80 per cent of the total interest they have received. Some foreign banks would leave—which might not be unwelcome to the authorities—and some of the local banks, which traditionally have charged higher rates of interest, would close.

All of the banks, no doubt, would react by claiming the repayment of compound interest that they have credited to their depositors.

Fortunately it is more likely that the issue will either be resolved definitively in the banks' favour or will be allowed to linger for several more months or years and be left for the courts, the banks and borrowers to sort out among themselves.

The fact that it has arisen is ironic, because in most respects the UAE has been ahead of the other Arabian Peninsula states in resolving the problems of its banks.

The main changes of the last few years have involved the *mergers under government* auspices of three banks in Abu Dhabi and three in Dubai. They have formed th Abu Dhabi Commercial Bank and a bigger version of the Union Bank of the Middle East, which used to be owned by the Dubai merchant, Abdul-Wahab Galadari. These institutions have received government capital and guarantees and cheap deposits.

At the same time the Middle East Bank, which made some bad loans in the period up to March 1983, when it was run by the Muslim Commercial Bank of Pakistan (*not an Islamic bank*), has been given some $27m of new capital. Half of this has been paid by the Futtaim family, which used to be the sole owner of the bank, and half by the Dubai government, which now has a stake of just over 20 per cent. The recapitalisation *took place in* April this year.

More recently, in the middle of this month, the troubled Bank of the Arab Coast of Ras al Khaimah, which had previously failed to conclude a merger with the First Gulf Bank of Ajman, wrote off a large part of its capital, reducing it to just 40m dirhams (about $12m). This is the minimum allowed for a bank in the UAE.

Ideally the central bank would like to see more mergers. Several years ago it mentioned that 10 or 12 local banks would be ideal. It has reduced the numbers from 23 to 19, and for the time being it looks as if it will have to be content with this.

Anyway, the issue of compound interest is now much more important than the solvency of the banks. The matter arose in a minor way in 1982 and 1983 when the UAE experi*enced the first effects of recession* and a few of the banks' customers found themselves *unable (or unwilling) to repay* their loans. At that time the courts in Abu Dhabi sometimes gave judgments that excluded the repayment of any interest—compound or simple—from the amounts awarded to the banks.

Then, as the recession deepened and the banks took more cases to court it became the common, though not invariable, practice for judges to accept simple interest but to exclude any element of compound interest from their awards.

In the last nine months or so this practice has encouraged a large number of small traders and contractors to sue their banks for the repayment of all the compound interest they have been charged during the lifetime of their accounts. They argue that if competitors who have got into difficulties, or who have pretended to be in difficulties, have been excused compound interest, why should they—healthy companies that are still contributing something to their economy—not be given the same favourable treatment?

The most widely publicised cases of this type concern the Consolidated Investment and Contracting Company (CICON), which is sueing Grindlays Bank for the recalculation of interest on its account since 1968 and Paribas for recalculation from 1974. The case is regarded as being particularly opportunistic, because the General Manager of CICON, Farouk Touqan, is a director of Petra Bank in Jordan.

This and similar cases have been filed in Abu Dhabi. In Dubai the establishment—made up of the ruling family and the big merchant families—*is itself much involved in* banking, and the courts have been told to accept both simple *and compound interest.*

Matters in Abu Dhabi are complicated by restrictions on allowable rates of interest. According to clauses 61 and 62 of the state's Civil Procedures Law of 1970, interest should not exceed 12 per cent on commercial and 9 per cent on non-commercial transactions, unless the parties have agreed on a different rate between themselves. (It is not said whether this refers to simple or compound interest.)

Some of the judges dislike the fact that the law is so definite in accepting the principle of interest and there is no doubt that they would like to change it. However, in the early 1980s, when there were several judgements that threw out interest altogether, the courts were reminded informally of the law in a letter written to them by Sheikh Surour bin Mohammad, the Presidential Chamberlain.

A decision by the Abu Dhabi Court of Appeal in 1981 endorsed the approved rates of 9 and 12 per cent, but stated that these applied irrespective of what parties might agree among themselves. (At present the rates being charged by the banks vary from 8 to 15 per cent.) The judge also decided that the rates applied to simple, not compound, interest.

This judgement has been influential, but because there is no formal system of precedent in Abu Dhabi (or in Saudi Arabia) *courts* are still liable to give erratic judgements. There has even been a law—the Federal Civil Transactions code of March 1985—which has said, in effect, that all interest is illegal. This, however, has recently been disputed by a judge in a court of first instance, who has *said that interest is a commer*cial matter and therefore is not within the province of a civil code.

Some bankers believe that the entire issue of interest will soon be resolved in a decree issued by Sheikh Zayed, the ruler of Abu Dhabi. It is suggested that the decree might say that compound interest will be legal if it is agreed between the parties when they sign their loan. It may be pointed out at the same time that banks have to pay compound interest when they take Abu Dhabi and federal government deposits.

In support of their prediction, the optimists say that Sheikh Zayed is being urged to take action by the new Abu Dhabi Commercial Bank which has found itself inheriting many bad loans to members of his family. It is also thought that, having injected some $500m of his own and Abu Dhabi Government funds into the bank (the exact figure has never been revealed), Zayed is anxious that the institution should be profitable.

Other bankers take a sceptical view. They assume that Sheikh Zayed is probably not passionately concerned with the question of interest and they think that he may not want to issue a decree which would run decisively against the Shariah (Quranic) Law.

If they are right, and no action is taken, the banks will probably not find themselves facing a sudden disaster and having to repay vast sums of interest, but there will continue to be inconsistent court judgements and a disruptive air of uncertainty. From time to time banks will have to repay some compound interest, but probably in these cases it will only be interest they have earned since the Abu Dhabi Appeal Court judgement of 1981.

Those borrowers who want still to be credit-worthy when the awaited economic upturn comes will make sure that they pay interest in the normal way. Those who default or, worse still, sue their banks for repayment will not be given more loans, and, no doubt one day they will cry that the banks are not supporting the local economy.

At this point those who have serious ethical objections to interest will turn to the Islamic banking system. The Government will at last declare compound interest to be legal and the banks, cautiously, will start lending again to a few of their delinquent borrowers.

Michael Field

Sultan Suwaydi, managing director of Abu Dhabi Commercial Bank

Bad Loans

"I TELL you," declared a banker in Abu Dhabi recently, "we would be happiest if we could lend to teachers, civil servants and little accountants—people who can assign to us their bonuses, their end of term indemnities and so forth. We can sue these people—take them to court. If they bounce a cheque they go to prison."

"The better connected the man is, the worse credit risk he is."

Contrary to what one might expect in a society as rich as Abu Dhabi, it is not the small personal loans made to expatriates that the banks find are liable not to be repaid. Their losses are made on loans to contractors, members of the ruling family and people connected with members of the family.

Here again, it is not the spoilt, feckless youth who has no job and *extravagant spending* habits who is the bad risk—no sensible banker would consider lending to such a person—but people near the top of the ruling families, in Abu Dhabi and elsewhere.

There are many sheikhs who simply ignore their overdrafts and *eventually the bankers are* obliged to write them off. Others have signed guarantees with abandon, without any intention of honouring their commitments. Those that do pay beat the banks down on their rates of interest.

The same problems apply with people who are close to important sheikhs. If a bank puts pressure for repayment on such a person he is likely to enlist the support of his powerful friends. There have even been cases of banks receiving telephone calls from members of sheikhs' staffs to tell them not to pursue their defaulting customers.

The result is that there are able people with ample capital and good business ideas who are not being given bank loans because it is felt that they have too powerful connections.

Abu Dhabi Courts

THERE ARE three types of courts in Abu Dhabi—criminal, Shariah (Quranic) and civil. The civil system is made up of courts of first instance, the Abu Dhabi Court of Appeal and the Federal Supreme Court.

Shariah Courts: One goes to a Shariah court only with cases of family, estate and inheritance law—the last being extremely complicated in Muslim societies. The Shariah courts also deal with cases of criminal negligence and, occasionally, with commercial cases.

The only matters excluded from their jurisdiction, by Presidential decree, are banking cases—that is unless the litigant is able to argue successfully that a dispute involving a letter of credit, or some similar document, should be counted as a commercial issue.

In the Shariah courts the judges are Islamic scholars, most from outside the UAE. There is no procedure, and as a lawyer put it recently "almost anything can happen."

When one presents one's case one bases arguments directly on the Quran, the word of God as dictated to the Prophet Mohammad, and the Hadith, the traditions of the Prophet's actions and sayings compiled in the 200 years after his death.

Civil Courts: The judges in Abu Dhabi's civil courts, like those in the Shariah courts, are mostly Egyptians, Sudanese and other non-UAE nationals. They base their judgments, officially, on the laws of Abu Dhabi and the Federation, but in practice their judgments tend to reflect the legal systems they used to know at home.

Procedure is much more formal than in the Shariah courts. Litigation is a very slow process made up of many little steps separated by long adjournments. All proceedings are in Arabic.

The outcome of a case is made less predictable than it would be in Europe by the lack of any system of precedent. If the Court of Appeal or the Federal Supreme Court make an important *judgment they will influence* the lower courts but they will not bind them.

Michael Field

Egypt

Stricter discipline on new lending

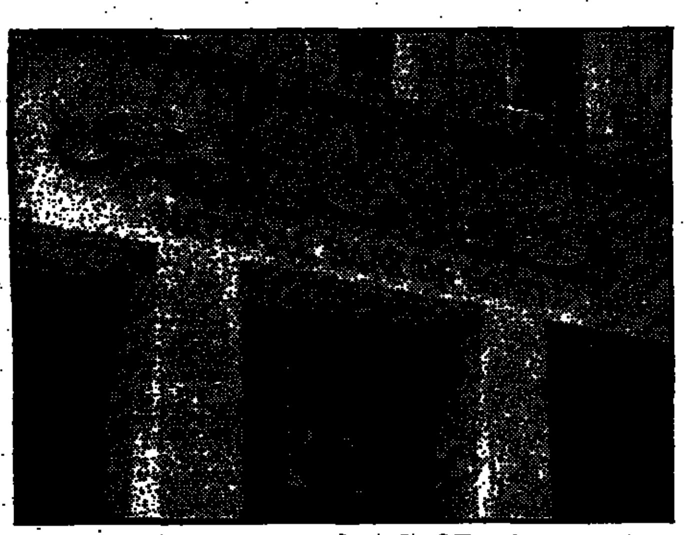
IT HAS been a difficult year for Egypt's banking sector which has had to cope with deteriorating economic circumstances, acute shortages of hard currency, and government policies in a state of flux.

Bankers have been forced on to the defensive by Egypt's economic problems. Large doubtful loan portfolios held by almost all banks have imposed much stricter discipline on new lending.

Western bankers complain about difficulties in finding acceptable credit risks. Government directives and hard currency shortages have forced a curtailment of trade financing.

Opinions are mixed among foreign and local bankers about the future. Optimists suggest that the worst is over, that the banking system, after the boom years of the late 1970's and early 1980's, is undergoing an inevitable shake-out and will emerge better for it.

Pessimists say that the external environment plus Egypt's own domestic economic problems will curtail profitability for the foreseeable future. In the absence of a recovery in the oil market, they say, banks are in for a long hard slog.



The National Bank of Egypt.

Mr Ali Negm, the avuncular Central Bank Governor, said in an interview that a review now being undertaken of bank results to the end of June 1986, was likely to indicate a further slowdown this year compared with last year. He blamed the reduction in activity on the deterioration on the oil prices and on domestic economic problems.

The Central Bank Governor said that Egypt's banking sector was presently going through a period of consolidation after the rapid growth of the past decade. While certain banks might have some short-term difficulties, the overall health of the sector was good.

He attributed this in part to measures taken by the central bank since 1984. These include restrictions on bank lending to 65 per cent of deposits. A further requirement limits lending to any one private sector borrower to 25 per cent of a bank's capital and reserves.

Mr Negm said that there was an effective freeze on new banks. "We need no more banks," *he said.* "*We are of the* opinion that the present situation is a good one."

This also meant that foreign currency branches in Egypt who have been seeking a change in their status to join venture institutions so they can deal in local currency as well, will not be allowed to do so for the time being.

Banks which have sought a change in status include Credit Suisse, Middle East Bank and the National Bank of Abu Dhabi. Mr Negm revealed that Chase Manhattan had dropped plans to divest itself of its 49 per cent share in Chase National bank of Egypt.

The Egyptian banking system continues to be dogged by acute foreign exchange shortages, partly because huge volumes of hard currency are traded through unofficial channels. Periodic attempts by Government to draw these funds into the system have proved elusive.

The disparity between official and unofficial rate of exchange is just one of the problems. The lack of a vigorous interbank market is another.

Mr Negm revealed that attention was being given to establishing such a market. The subject was under study, he said, by the Central Bank and the four large public sector commercial banks.

The Central bank Governor acknowledged pressure on Egypt to float its currency by getting rid of two official rates of exchange: the Egyptian £0.70 to the US$ used for budgetary purposes to calculate the value of strategic imports such as food and the Egyptian £1.35 to the US$ tourist rate.

The present black market rate is about Egyptian £1.90 to the US$. Mr Negm said that Egypt's reluctance to float the pound was based on concern that it might "lead to a slide" in the value of the local currency which could prove difficult to control.

This was particularly so at a time of heavy demand for scarce supplies of foreign exchange. According to a recent IMF report "usable" Central Bank reserves stood at US$600m at mid-year, sufficient to cover less than one month's imports.

Mr Negm noted that efforts to reduce the budget deficit plus recent new customs regulations that banned the importation of various luxury items were helping to restrain demand for foreign exchange.

The Governor expressed satisfaction that measures taken earlier this year to prevent borrowing of Egyptian pounds against foreign currency deposits for speculative purposes had stabilised the free market rate of the Egyptian pound.

Even before the introduction of new imports regulations in August, hard currency shortages and government measures such as a *virtual ban on the* importation of cars had forced a sharp reduction in imports.

According to the IMF, imports fell by about US$2bn from $10.5bn in 1984-85 to $8.9bn in 1985-86. Egypt's trade deficit to the end of June this year totalled about $5.7bn compared with $7bn the year before.

In Egypt's fast-growing Islamic banking sector results were mixed. Faisal Islamic Bank experienced continuing strong growth. The negative business environment caused difficulties for several of the less well-established Islamic banks.

In recognition of the growing Islamic trend in Egypt, the "big four" public sector banks — Banque Misr, Bank of Alexandria, Banque du Caire and National Bank — further extended their Islamic banking facilities.

The local banking scene has been treated in recent months to an almost unprecedented newspaper campaign in both the semi-official and opposition press against the chairman of the Egyptian-Kuwaiti joint venture Arab African International Bank (AAIB).

Mr Ibrahim El-Ibrahim, the AAIB chairman, has sought to counter criticism of his management of the bank which registered a $96.9m loss in 1985. He argues that the bank was a victim of the downturn in the Gulf and political problems in Sudan where it has a large exposure.

Mr Ibrahim, a Kuwaiti, recently resigned as chairman of AAIB's Bahrain subsidiary, Al-Bahrain Arab African Bank (ALBAAB). Egypt and Kuwait in June increased AAIB's paid up capital to US$300m. A further $100m tranche is due to be paid next year.

Egypt's 22 foreign currency branches whose bread and butter is trade financing have all faced a difficult year. Profits have been sharply curtailed, but representatives of larger branches report a pick up in activity since the introduction of the new customs regulations.

The regulations ended a period of intense uncertainty for importers who had been subjected to a sometimes arbitrary regime administered by government rationalisation committees. Applications for import licences were being subjected to long delays. According to importers the system has been much improved.

A feature of bank results in the past year in Egypt, as is the case throughout the Arab world, is the requirement for most banks to make hefty provisions for bad debts. Banque Misr, for example, increased provisions by Egyptian £75.9m ($52.2m) to Egyptian £277.5m in 1984-85.

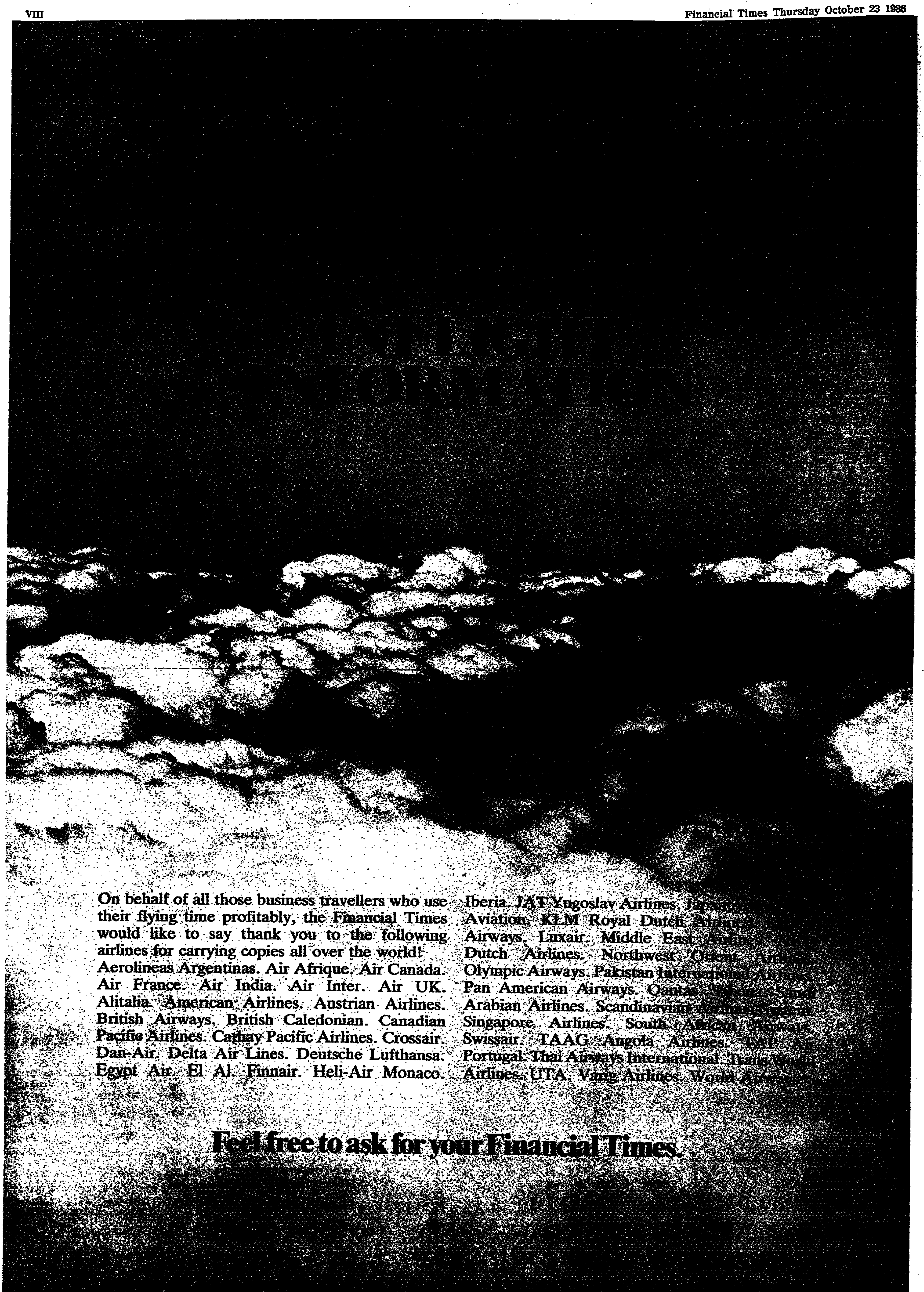
The Bank's net profit for the year after taxes and provisions was Egyptian £40.5m. Cairo Barclays, a joint venture between Barclays Bank plc of the UK and Banque du Caire, made a $1.13m after-tax loss in 1985. This was after substantial provisions.

Mr Alex Jablonowski, Cairo Barclays general manager, blamed in part Egypt's tax regime for the 1985 loss. This precludes offsetting losses against tax liabilities.

Mr Nabil Ibrahim, chairman of Banque Misr, acknowledged that the Egyptian economy was *going through a difficult* period and this was reflected in the banking sector. But he believes that the worst is over.

The Government, he said, had embarked on a programme of economic reform which should lead to an arrangement with the International Monetary Fund. This would clear the way for a rescheduling of Egypt's foreign debt and a relaxation on a virtual embargo on new foreign borrowing. There would be no additional borrowing, said Mr Ibrahim, until there was an arrangement with the IMF and with Egypt's creditors.

Anthony Walker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